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SENATE  
S. NO. 2762

RECEIVED BY:



(In substitution of Senate Bill Nos. 2654 and 2684, taking into consideration House Bill No. 9794 and Senate Resolution Nos. 219, 244, and 567)

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Prepared by the Committee on Ways and Means with  
Senators Gatchalian and Zubiri as authors

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**AN ACT**  
**AMENDING SECTIONS 27, 28, 32, 34, 57, 106, 108, 109, 112, 292, 293, 294, 295, 296, 297, 300, 301, 308, 308-A, 308-B, 309, 310, AND 311, AND ADDING A NEW SECTION 295-A, 296-A AND A NEW CHAPTER VI UNDER TITLE XIII IN THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES**

*Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:*

1       **SECTION 1.** Section 27 of the National Internal Revenue Code of 1997, as  
2 amended, is hereby further amended to read as follows:

3               "SEC. 27. *Rates of Income [t] Tax on Domestic Corporations.* –

4               "(A) In General. – Except as otherwise provided in this Code, an  
5 income tax rate of twenty-five percent (25%) effective July 1, 2020, is  
6 hereby imposed upon the taxable income derived during each taxable  
7 year from all sources within and without the Philippines by every  
8 corporation, as defined in Section 22(B) of this Code and taxable under  
9 this Title as a corporation, organized in, or existing under the laws of the  
10 Philippines[-]: "Provided, That corporations with net taxable income not  
11 exceeding Five million pesos (P5,000,000.00) and with total assets not  
12 exceeding One hundred million pesos (P100,000,000.00), excluding land

1 on which the particular business entity's office, plant, and  
2 equipment are situated during the taxable year for which the tax is  
3 imposed, shall be taxed at twenty percent (20%)[-]: **PROVIDED,**  
4 **FURTHER, THAT FOR REGISTERED BUSINESS ENTERPRISES**  
5 **UNDER THE ENHANCED DEDUCTIONS REGIME AS PROVIDED IN**  
6 **SECTION 294(C) OF THIS CODE, A TAX RATE EQUIVALENT TO**  
7 **TWENTY PERCENT (20%) IS HEREBY IMPOSED UPON THEIR**  
8 **TAXABLE INCOME DERIVED FROM REGISTERED PROJECTS OR**  
9 **ACTIVITIES DURING EACH TAXABLE YEAR.**

10 "xxx."

11 "xxx."

12 "(B) *Proprietary Educational Institutions and Hospitals.* – xxx

13 "(C) *Government-owned or –Controlled Corporations, Agencies or*  
14 *Instrumentalities.* – xxx

15 "(D) *Rates of Tax on Certain Passive Incomes.* – xxx

16 "(E) *Minimum Corporate Income Tax on Domestic Corporations.* –

17 xxx

18 "(F) *Offshore Gaming Licensees.* – xxx

19 "(G) *Accredited Service Providers to Offshore Gaming Licensees.* –

20 xxx

21 "xxx."

22 **SEC. 2.** Section 28 of the National Internal Revenue Code of 1997, as amended,  
23 is hereby further amended to read as follows:

24 "SEC. 28. *Rates of Income Tax on Foreign Corporations.* –

25 "(A) *Tax on Resident Foreign Corporations.* –

26 "(1) *In General.* – Except as otherwise provided in this Code, a  
27 corporation organized, authorized, or existing under the laws of any  
28 foreign country, engaged in trade or business within the Philippines, shall  
29 be subject to an income tax equivalent to twenty-five percent (25%) of  
30 the taxable income derived in the preceding taxable year from all sources  
31 within the Philippines effective July 1, 2020[-]: **PROVIDED, THAT FOR**  
32 **REGISTERED BUSINESS ENTERPRISES UNDER THE ENHANCED**

1 DEDUCTIONS REGIME AS PROVIDED IN SECTION 294(C) OF  
2 THIS CODE, A TAX RATE EQUIVALENT TO TWENTY PERCENT  
3 (20%) IS HEREBY IMPOSED UPON THEIR TAXABLE INCOME  
4 DERIVED FROM REGISTERED PROJECTS OR ACTIVITIES  
5 DURING EACH TAXABLE YEAR.

6 "xxx."

7 "xxx."

8 "xxx."

9 "(B) *Tax on Nonresident Foreign Corporation.* –

10 "(1) *In General.* – xxx"

11 **SEC. 3.** Section 32 of the National Internal Revenue Code of 1997, as  
12 amended, is hereby further amended to read as follows:

13 "SEC 32. *Gross Income.* –

14 (A) *General Definition.* – xxx

15 (B) *Exclusion from Gross Income.* – The following items shall  
16 not be included in **THE** gross income and shall be exempt from taxation  
17 under this Title:

18 (1) xxx;

19 (2) xxx;

20 (3) xxx;

21 (4) xxx;

1 (5) *Income Exempt under Treaty.* - Income of any kind, to the  
2 extent required by any treaty obligation, **INCLUDING AGREEMENTS**  
3 **ENTERED INTO BY THE PRESIDENT WITH ECONOMIES AND**  
4 **ADMINISTRATIVE REGIONS SUBJECT TO THE CONCURRENCE OF**  
5 **THE SENATE**, binding upon the Government of the Philippines.”

6 (6) xxx; and

7 (7) xxx.”

8 **SEC. 4.** Section 34 of the National Internal Revenue Code of 1997, as  
9 amended, is hereby further amended to read as follows:

10 “SEC. 34. *Deductions from Gross Income.* -

11 (A) Expenses. — xxx

12 (B) Interest. — xxx

13 (C) Taxes. — xxx

14 (1) *In General.* —

15 (2) *Limitations on Deductions.* —

16 (3) Credit Against Tax for Taxes of Foreign Countries. —

17 (4) Limitations on Credit. —

18 (5) Adjustments on Payment of Incurred Taxes. —

19 (6) Year in Which Credit Taken. —

20 (7) Proof of Credits. —

21 **(8) INPUT VAT ATTRIBUTABLE TO VAT-EXEMPT SALES.**

22 - **INPUT VAT DUE ON LOCAL PURCHASES**  
23 **ATTRIBUTABLE TO VAT-EXEMPT SALES SHALL BE**  
24 **PAID AND DEDUCTIBLE FROM THE TAXABLE**  
25 **INCOME OF THE TAXPAYER. UNDER SECTION 109**  
26 **OF THIS CODE.**

27 xxx.”

28 **SEC. 5.** Section 57 of the National Internal Revenue Code of 1997, as amended,  
29 is hereby further amended to read as follows:

30 “SEC. 57. *Withholding of Tax at Source.* -

31 “(A) *Withholding of Final Tax on Certain Incomes.* - xxx

1           “(B) *Withholding of Creditable Tax at Source.* - The Secretary of  
2 Finance may, upon the recommendation of the Commissioner, require the  
3 withholding of a tax on the items of income payable to natural or juridical  
4 persons, residing in the Philippines, by payor-corporation/persons as  
5 provided for by law, at the rate of [~~not less than one percent (1%) but~~]  
6 not more than [~~thirty-two percent (32%)~~] **FIFTEEN PERCENT (15%)**  
7 thereof, which shall be credited against the income tax liability of the  
8 taxpayer for the taxable year[~~:- Provided, That, beginning January 1, 2019,~~  
9 ~~the rate of withholding shall not be less than one percent (1%) but not~~  
10 ~~more than fifteen percent (15%) of the income payment~~].

11           “(C) *Tax-free Covenant Bonds.* - xxx

12           “xxx.”

13           **SEC. 6.** Section 106 of the National Internal Revenue Code of 1997, as  
14 amended, is hereby further amended to read as follows:

15           “SEC 106. *Value-Added Tax on Sale of Goods or Properties.* -

16           “(A) *Rate and Base of Tax.* - xxx.

17           “(1) The term ‘*goods or properties*’ xxx;

18           “(2) The following sales by VAT-registered persons shall be  
19 subject to zero percent (0%) rate:

20           (a) *Export Sales.* - The term ‘*export sales*’ means:

21           (1) xxx;

22           [~~(2) Sale and delivery of goods to:~~

23           ~~(i) Registered enterprises within a~~

24           ~~separate customs territory as provided~~

25           ~~under special laws; and~~

26           ~~(ii) Registered enterprises within tourism~~

27           ~~enterprises zones as declared by the~~

28           ~~Tourism Infrastructure and Enterprise~~

29           ~~Zone Authority (TIEZA) subject to the~~

30           ~~provisions under Republic Act No. 9593~~

31           ~~or The Tourism Act of 2009;]~~

1                                    ~~[(3)]~~(2) Sale of raw materials or  
2 packaging materials to a non-resident buyer for  
3 delivery to a resident local export-oriented enterprise  
4 to be used in manufacturing, processing, packing or  
5 repacking in the Philippines of the said buyer's goods  
6 and paid for in acceptable foreign currency and  
7 accounted for in accordance with the rules and  
8 regulations of the **BANGKO SENTRAL NG**  
9 **PILIPINAS (BSP)**;

10                                   ~~[(4)]~~(3) Sale ~~[of raw materials or packaging~~  
11 ~~materials]~~ **OF GOODS** to export-oriented enterprise  
12 whose export sales ~~[exceed]~~ **IS AT LEAST** seventy  
13 percent (70%) of total annual production **OF THE**  
14 **PRECEDING TAXABLE YEAR**~~[:]~~: **PROVIDED,**  
15 **THAT SUCH GOODS ARE DIRECTLY**  
16 **ATTRIBUTABLE TO THE BUSINESS OF THE**  
17 **EXPORT-ORIENTED ENTERPRISE: PROVIDED,**  
18 **FURTHER,** THAT THE EXPORT MARKETING  
19 BUREAU OF THE DEPARTMENT OF TRADE AND  
20 INDUSTRY (DTI) SHALL DETERMINE THE  
21 COMPLIANCE TO THE FOREGOING  
22 THRESHOLD. ANY EXPORT-ORIENTED  
23 ENTERPRISE THAT FAILS TO MEET THE  
24 FOREGOING THRESHOLD SHALL BE  
25 DISQUALIFIED FROM AVAILING OF VAT ZERO-  
26 RATING IN THE IMMEDIATELY SUCCEEDING  
27 YEAR;

28                                   ~~[(5)]~~ Those considered export sales under  
29 Executive Order No. 226, otherwise known as the  
30 Omnibus Investment Code of 1987, and other special  
31 laws; and]

1                   ~~[(6)]~~(4) The sale of goods, supplies,  
2 equipment and fuel to persons engaged in  
3 international shipping or international air transport  
4 operations: *Provided*, That the goods, supplies,  
5 equipment and fuel shall be used for international  
6 shipping or air transport operations[-];

7                   **(5) SALES TO BONDED WAREHOUSES OF**  
8 **EXPORT-ORIENTED ENTERPRISES.**

9                   ~~[*Provided*, That subparagraphs (3), (4), and~~  
10 ~~(5) hereof shall be subject to the twelve percent~~  
11 ~~(12%) value added tax and no longer be considered~~  
12 ~~export sales subject to zero percent (0%) VAT rate~~  
13 ~~upon satisfaction of the following conditions:~~

14                   ~~(1) The successful establishment — and~~  
15 ~~implementation of an enhanced VAT refund system~~  
16 ~~that grants refunds of creditable input tax within~~  
17 ~~ninety (90) days from the filing of the VAT refund~~  
18 ~~application with the Bureau: *Provided*, That, to~~  
19 ~~determine the effectivity of item no. 1, all applications~~  
20 ~~filed from January 1, 2018 shall be processed and~~  
21 ~~must be decided within ninety (90) days from the~~  
22 ~~filing of the VAT refund application; and~~

23                   ~~(2) All pending VAT refund claims as of~~  
24 ~~December 31, 2017 shall be fully paid in cash by~~  
25 ~~December 31, 2019.] *Provided*, **FURTHER**, That the~~  
26 ~~Department of Finance (**DOF**) shall establish a VAT~~  
27 ~~refund center [in the Bureau of Internal Revenue~~  
28 ~~(BIR) and in the Bureau of Customs (BOC)] **WITHIN**~~  
29 ~~**ITS REVENUE OPERATIONS GROUP (ROG)** that~~  
30 ~~will handle the **ELECTRONIC** processing and~~  
31 ~~granting of cash refunds of creditable input tax.~~

1 "An amount equivalent to five percent (5%) of the total VAT  
2 collection of the BIR and the BOC from the immediately preceding  
3 year shall be automatically appropriated annually and shall be  
4 treated as a special account in the General Fund or as trust receipts  
5 for the purpose of funding claims for VAT refund: *Provided*, That  
6 any unused fund, at the end of the year shall revert to the General  
7 Fund[-]: *Provided, further*, That the [~~BIR and the BOC~~] **DOF** shall  
8 be required to submit to the Congressional Oversight Committee on  
9 the Comprehensive Tax Reform Program (COCCTRP) a quarterly  
10 report of all pending claims for refund and any unused funds.

11 (b) x x x

12 (c) x x x

13 **(D) THOSE SALES SUBJECT TO ZERO PERCENT (0%) VAT**  
14 **UNDER SPECIAL LAWS."**

15 **SEC. 7.** Section 108 of the National Internal Revenue Code of 1997, as  
16 amended, is hereby further amended to read as follows:

17 "SEC 108. *Value-added Tax on Sale of Services and Use or Lease*  
18 *of Properties.* –

19 "(A) *Rate and Base of Tax.* – xxx

20 "(B) *Transactions Subject to Zero Percent (0%) Rate.* – The  
21 following services performed in the Philippines by VAT-registered  
22 persons shall be subject to zero percent (0%) rate:

23 (1) x x x;

24 (2) x x x;

25 (3) x x x;

26 (4) x x x;

27 (5) Services performed [~~by subcontractors and/or~~  
28 ~~contractors in processing, converting, or manufacturing~~  
29 ~~goods~~] for an **EXPORT-ORIENTED** enterprise whose  
30 export sales [~~exceed~~] **IS AT LEAST** seventy percent (70%)  
31 of total annual production **OF THE PRECEDING TAXABLE**  
32 **YEAR [;]: PROVIDED, THAT SUCH GOODS ARE**

1                   **DIRECTLY ATTRIBUTABLE TO THE BUSINESS OF THE**  
2                   **EXPORT-ORIENTED ENTERPRISE: *PROVIDED,***  
3                   ***FURTHER,* THAT THE EXPORT MARKETING BUREAU**  
4                   **OF THE DEPARTMENT OF TRADE AND INDUSTRY**  
5                   **(DTI) SHALL DETERMINE THE COMPLIANCE TO THE**  
6                   **FOREGOING THRESHOLD. ANY EXPORT-ORIENTED**  
7                   **ENTERPRISE THAT FAILS TO MEET THE FOREGOING**  
8                   **THRESHOLD SHALL BE DISQUALIFIED FROM**  
9                   **AVAILING OF ZERO PERCENT (0%) VAT IN THE**  
10                   **IMMEDIATELY SUCCEEDING YEAR;**

11                   (6) x x x;

12                   (7) x x x;

13                   ~~[(8) Services rendered to:~~

14                               ~~(i) Registered enterprises within a separate customs~~  
15                               ~~territory as provided under special laws; and~~

16                               ~~(ii) Registered enterprises within tourism enterprise~~  
17                               ~~zones as declared by the TIEZA subject to the provisions~~  
18                               ~~under Republic Act No. 9593 or The Tourism Act of 2009.]~~

19                   ~~[*Provided,* That subparagraphs (B)(1) and (B)(5) hereof shall be~~  
20                   ~~subject to the twelve percent (12%) value added tax and no longer be~~  
21                   ~~subject to zero percent (0%) VAT rate upon satisfaction of the following~~  
22                   ~~conditions:~~

23                               ~~(1) The successful establishment and implementation of~~  
24                               ~~an enhanced VAT refund system that grants refunds of creditable~~  
25                               ~~input tax within ninety (90) days from the filing of the VAT refund~~  
26                               ~~application with the Bureau: *Provided,* That, to determine the~~  
27                               ~~effectivity of item no. 1, all applications filed from January 1, 2018~~  
28                               ~~shall be processed and must be decided within ninety (90) days~~  
29                               ~~from the filing of the VAT refund application; and~~

30                               ~~(2) All pending VAT refund claims as of December 31, 2017~~  
31                               ~~shall be fully paid in cash by December 31, 2019.] *Provided,*~~  
32                   ***FURTHER,* That the [Department of Finance] **DOF** shall establish**

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a VAT refund center [~~in the Bureau of Internal Revenue and in the Bureau of Customs~~] **WITHIN ITS REVENUE OPERATIONS GROUP (ROG)** that will handle the **ELECTRONIC** processing and granting of cash refunds of creditable input tax.

x x x"

**SEC. 8.** Section 109 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

**"SEC. 109. Exempt Transactions. —**

(1) Subject to the provisions of the Subsection (2) hereof, the following transactions shall be exempt from the value-added tax:

"x x x"

(U) Importation of fuel, goods and supplies [~~by persons engaged in international shipping or air transport operations: Provided, That the fuel, goods and supplies shall be~~] used for international shipping or air transport operations;

"xxx."

**SEC. 9.** Section 112 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

**"SEC. 112. Refunds of Input Tax.—**

**"(A) Zero-rated or Effectively Zero-rated Sales. — xxx**

**"(B) Cancellation of VAT Registration. — xxx**

**"(C) Period within which the Refund of Input Taxes shall be Made. -** In proper cases, the [~~Commissioner~~] **SECRETARY OF FINANCE** shall grant a refund for creditable input taxes within ninety (90) days from the date of submission of **CERTIFIED TRUE COPIES OF** invoices and other documents **SPECIFICALLY LIMITED TO THOSE PRESCRIBED IN THE REVENUE ISSUANCES AND** in support of the application filed in accordance with Subsections (A) and (B) hereof: *Provided,* That for this purpose, the VAT refund claims **SHALL BE PROCESSED BY THE REVENUE OPERATIONS GROUP UNDER THE DOF AND THE**

1           **CLAIMS** shall be classified into low-, medium-, and high-risk  
2 claims, with the risk classification **TO BE** based on **THE** amount of  
3 VAT refund claim, tax compliance history, frequency of filing VAT  
4 refund claims [~~, among others~~]: *Provided, further,* That medium-  
5 and high-risk claims shall be subject to audit or other verification  
6 processes in accordance with the Bureau of Internal Revenue's  
7 national audit program for the relevant year [~~:-Provided, finally, That~~  
8 s]. Should the [~~Commissioner~~] **SECRETARY OF FINANCE** find  
9 that the grant of refund is not proper, the [~~Commissioner~~]  
10 **SECRETARY OF FINANCE** must [~~state~~] **COMMUNICATE TO**  
11 **THE TAXPAYER** in writing the **DEFICIENCIES OF THE VAT**  
12 **REFUND CLAIM, AND THE** legal and factual basis for the denial  
13 within the ninety (90)-day period **AND PROVIDE THE TAXPAYER**  
14 **FIFTEEN (15) DAYS FROM THE RECEIPT OF THE DENIAL TO**  
15 **FILE AND SUBSTANTIATE A REQUEST FOR**  
16 **RECONSIDERATION. THE SECRETARY SHALL RENDER A**  
17 **DECISION RESOLVING THE TAXPAYER'S REQUEST FOR**  
18 **RECONSIDERATION WITHIN FIFTEEN (15) DAYS AFTER**  
19 **THE RECEIPT OF THE REQUEST FOR RECONSIDERATION.**  
20 **THE DENIAL SHALL BECOME FINAL IF THE TAXPAYER**  
21 **FAILS TO FILE A REQUEST FOR RECONSIDERATION**  
22 **WITHIN THE FIFTEEN (15)-DAY PERIOD.**

23            "In case of full or partial denial of the claim for tax refund,  
24 or [~~the~~] failure on the part of the Commissioner to act on the  
25 application within the period prescribed above, the taxpayer  
26 affected may, within thirty (30) days from the receipt of the decision  
27 **DENYING THE REQUEST FOR RECONSIDERATION** [~~denying~~  
28 ~~the claim~~] or after the expiration of the **FIFTEEN (15)-DAY**  
29 **PERIOD TO FILE A REQUEST FOR RECONSIDERATION**  
30 [~~ninety (90) day period~~] **IN CASES WHERE NO ACTION IS**  
31 **MADE BY THE BUREAU OF INTERNAL REVENUE,** appeal the  
32 decision with the Court of Tax Appeals: *Provided, however,* That

1 failure on the part of any official, agent, or employee of the [~~Bureau~~  
2 ~~of Internal Revenue~~] **DEPARTMENT OF FINANCE** to act on the  
3 application **FOR THE GRANT OF VAT REFUND** within **THE** ninety  
4 (90)-[~~days~~] **DAY** period **AND ON THE MOTION FOR**  
5 **RECONSIDERATION WITHIN THE FIFTEEN (15)-DAY**  
6 **PERIOD** shall be punishable under Section 269 of this Code.

7 “(D) *Manner of Giving Refund.* - Refunds shall be made upon  
8 warrants drawn by the [~~Commissioner~~] **SECRETARY** or by his duly  
9 authorized representative without the necessity of being  
10 countersigned by the Chairperson[, ] **OF THE** Commission on Audit,  
11 the provisions of the Administrative Code of 1987 to the contrary  
12 notwithstanding: *Provided,* That refunds under this paragraph shall  
13 be subject to post audit by the Commission on Audit following the  
14 risk-based classification above-described: **PROVIDED, FURTHER,**  
15 **THAT, THE DOF SHALL PUBLISH STATISTICS ON THE**  
16 **AGGREGATED VOLUME, PROCESSING TIME, AND RATE OF**  
17 **APPROVAL OF REFUND CLAIMS, AND OTHER RELEVANT**  
18 **STATISTICS IN THEIR OFFICIAL WEBSITES: PROVIDED,**  
19 [~~further,~~] **FINALLY,** That in case of disallowance by the  
20 Commission on Audit, only the taxpayer shall be liable for the  
21 disallowed amount without prejudice to any administrative liability  
22 on the part of any employee of the **DEPARTMENT OF FINANCE**  
23 [~~Bureau of Internal Revenue~~] who may be found to be grossly  
24 negligent in the grant of refund.

25 **SEC. 10.** Section 292 of the National Internal Revenue Code of 1997, as  
26 amended, is hereby further amended to read as follows:

27 “SEC. 292. *Extent of Authority to Grant Tax Incentives.* - The Fiscal  
28 Incentives Review Board [;] or the Investment Promotion Agencies, under  
29 a delegated authority from the Fiscal Incentives Review Board, shall grant  
30 the appropriate tax incentives provided in this Title to be granted to  
31 registered business enterprises only to the extent of their approved  
32 registered project or activity under the Strategic Investment Priority Plan

1 (SIPP)[.], TAKING INTO CONSIDERATION THE INFUSION OF  
2 INVESTMENT CAPITAL, EMPLOYMENT GENERATION, AND OTHER  
3 STANDARD AND PROJECT-SPECIFIC PERFORMANCE METRICS OF  
4 THE REGISTERED PROJECT OR ACTIVITY THAT MAY BE IMPOSED  
5 BY THE FISCAL INCENTIVES REVIEW BOARD OR THE  
6 INVESTMENT PROMOTION AGENCIES.

7 **SEC. 11.** Section 293 of the National Internal Revenue Code of 1997, as  
8 amended, is hereby further amended to read as follows:

9 "Sec. 293. *Definitions.* – When used in this Title:

10 "(A) *Capital equipment* refers to machinery, equipment, major  
11 components thereof, tools, devices, applications or apparatus, which are  
12 directly **ATTRIBUTABLE TO** [~~or reasonably needed in~~] the registered  
13 project or activity of the registered enterprise;

14 "(B) **CERTIFICATE OF AUTHORITY TO IMPORT** REFERS TO  
15 THE DOCUMENT ISSUED BY THE INVESTMENT PROMOTION  
16 AGENCIES AS PROOF OF ENTITLEMENT FOR VALUE-ADDED TAX  
17 AND DUTY-FREE IMPORTATION WHICH SHALL CONTAIN THE  
18 LIST OF CAPITAL EQUIPMENT, RAW MATERIALS, SPARE PARTS  
19 OR ACCESSORIES TO BE IMPORTED THAT ARE DIRECTLY  
20 ATTRIBUTABLE IN THE PRODUCTION OF GOODS AND SERVICES,  
21 INCLUDING GOODS USED FOR ADMINISTRATIVE PURPOSES;

22 "(C) **CERTIFICATE OF REGISTRATION** REFERS TO THE  
23 DOCUMENT EVIDENCING REGISTRATION WITH AN INVESTMENT  
24 PROMOTION AGENCY AND ENTITLEMENT TO TAX INCENTIVES:  
25 **PROVIDED**, THAT EACH REGISTERED PROJECT OR ACTIVITY OF  
26 A REGISTERED BUSINESS ENTERPRISE SHOULD BE SUPPORTED  
27 BY A SEPARATE CERTIFICATE OF REGISTRATION;

28 "(D) **HIGH-VALUE DOMESTIC MARKET ENTERPRISES**  
29 REFER TO REGISTERED DOMESTIC MARKET ENTERPRISES WITH  
30 AN INVESTMENT CAPITAL EXCEEDING TWENTY BILLION PESOS

1 (PHP20,000,000,000.00), OR WITH EXPORT SALES IN THE  
2 IMMEDIATELY PRECEDING YEAR OF AT LEAST ONE HUNDRED  
3 MILLION US DOLLARS (USD100,000,000.00), OR ITS  
4 EQUIVALENT IN AN ACCEPTABLE FOREIGN CURRENCY:  
5 *PROVIDED, FURTHER,* THAT THE THRESHOLD AMOUNT  
6 PROVIDED HEREIN MAY BE INCREASED BY THE FISCAL  
7 INCENTIVES REVIEW BOARD;

8 “[(B)](E) x x x

9 “[(C)](F) x x x

10 “[(D)](G) x x x

11 “[(E)](H) x x x

12 “[(F)](I) *Freeport zones* refer to ~~[an]~~ isolated and policed  
13 ~~[area]~~**AREAS** adjacent to a port of entry, which shall be operated and  
14 managed ~~[as a separate customs territory]~~ **FOR PURPOSES OF** ~~[to~~  
15 ~~ensure]~~ **ENSURING** free flow or movement of goods **BETWEEN**  
16 **REGISTERED BUSINESS ENTERPRISES**, except those expressly  
17 prohibited by law, within, into, and exported out of the freeport zone  
18 where imported goods may be unloaded for immediate transshipment or  
19 stored, repacked, sorted, mixed, or otherwise manipulated **SUBJECT TO**  
20 **THE PROVISIONS OF SECTION 294(D) AND (E) AND 295(D) AND**  
21 **(E):** ~~[without being subject to import duties. However, movement of these~~  
22 ~~imported goods from the free trade area to a non-free trade area in the~~  
23 ~~country shall be subject to all applicable internal revenue taxes and~~  
24 ~~duties:]~~ *Provided,* That ~~[for the freeport to qualify as a separate customs~~  
25 ~~territory,]~~ a freeport shall have a permanent customs control or customs  
26 office at its perimeter: *PROVIDED, FURTHER,* **THAT POINTS OF EXIT**  
27 **OF GOODS FROM THE TERRITORY OF THE FREEPORT ZONES TO**  
28 **THE OTHER PARTS OF THE PHILIPPINE TERRITORY SHALL BE**  
29 **CONSIDERED PORTS OF ENTRY AND POLICED AS SUCH;**

1           “(J) INVESTMENT CAPITAL REFERS TO THE VALUE OF  
2 INVESTMENT INDICATED IN PHILIPPINE CURRENCY, THAT  
3 SHALL BE USED TO CARRY OUT A REGISTERED PROJECT OR  
4 ACTIVITY SUCH AS PRE-OPERATING EXPENSES, COST OF LAND  
5 AND LAND IMPROVEMENTS, BUILDINGS, LEASEHOLD  
6 IMPROVEMENTS, WORKING CAPITAL, AND MACHINERY AND  
7 EQUIPMENT, INVENTORY AND OTHER CURRENT AND NON-  
8 CURRENT ASSETS;

9           “~~[(H)]~~(K) *Investment Promotion Agencies* refer to government  
10 entities created by law, executive order, decree, or other issuances, in  
11 charge of promoting investments, granting and administering tax and non-  
12 tax incentives, and overseeing the operations of the different economic  
13 zones and freeports in accordance with their respective special laws. These  
14 include the Board of Investments (BOI), ~~[Regional Board of Investments~~  
15 ~~—Autonomous Region in Muslim Mindanao (RBOI — ARMM)]~~  
16 **BANGSAMORO BOARD OF INVESTMENTS (BBOI), BANGSAMORO**  
17 **ECONOMIC ZONE AUTHORITY (BEZA)**, Philippine Economic Zone  
18 Authority (PEZA), Bases Conversion and Development Authority (BCDA),  
19 Subic Bay Metropolitan Authority (SBMA), Clark Development Corporation  
20 (CDC), John Hay Management Corporation (JHMC), Poro Point  
21 Management Corporation (PPMC), Cagayan Special Economic Zone  
22 Authority (CEZA), Zamboanga City Special Economic Zone and Freeport  
23 Authority (ZCSEZA), PHIVIDEC Industrial Authority (PIA), Aurora Pacific  
24 Economic Zone Authority (APECO), Authority of the Freeport Area of  
25 Bataan (AFAB), Tourism Infrastructure ~~[and]~~, Enterprise Zone Authority  
26 (TIEZA), **BULACAN SPECIAL ECONOMIC ZONE AND FREEPORT**  
27 **AUTHORITY (BEZA)**, and all other similar existing authorities or that  
28 may be created by law unless otherwise specifically exempted from the  
29 coverage of this Code.

30           [(I)](L)     x x x

31           (M) *NET BOOK VALUE* REFERS TO HISTORICAL COST  
32 LESS ACCUMULATED DEPRECIATION, AS APPEARING IN THE

**REGISTERED BUSINESS ENTERPRISE’S BOOKS OF ACCOUNTS OR FINANCIAL STATEMENTS, AND DETERMINED IN ACCORDANCE WITH ACCEPTED ACCOUNTING STANDARDS;**

- [(J)](N) x x x
- [(K)](O) x x x
- [(L)](P) x x x
- [(M)](Q) x x x
- [(N)](R) x x x
- [(+)](S) x x x;
- [(+)](T) x x x;
- [(+)](U) x x x;
- [(+)](V) x x x; *Special economic zone or ecozone* refers to a

selected area [~~which shall be operated and managed as a separate customs territory~~] that is highly developed or has the potential to be developed into an agro-industrial, industrial, information technology, or tourist/recreational area, whose metes and bounds are fixed or delimited by presidential proclamations and within a specific geographical area which includes industrial estates (IEs), export processing zones (EPZs), ICT parks and centers, and free trade zones: *Provided*, That [~~for the ecozone to qualify as a separate customs territory,~~] an ecozone shall have a permanent customs control or customs office at its perimeter: *Provided, however*, That areas where mining extraction is undertaken shall not be declared as an ecozone: *Provided, further*, That vertical economic zones, such as, but not limited to, buildings, selected floors within buildings, and selected areas on a floor, need to comply with the minimum contiguous land area as determined by the Fiscal Incentives Review Board; and

[(S)](W) x x x;

**“(X) TECHNICAL OBSOLESCENCE MEANS THE DESIGN OR SPECIFICATION OF THE ASSET NO LONGER FULFILLS THE FUNCTION FOR WHICH IT WAS ORIGINALLY DESIGNED AND/OR THE MACHINERY, EQUIPMENT, SPARE PARTS AND/OR MATERIALS HAS DIMINISHED IN VALUE AS CAUSED BY**

1 CHANGES IN TECHNOLOGY AND NEW INVENTIONS, RENDERING  
2 IT LESS DESIRABLE IN THE INDUSTRY, INCLUDING A DECLINE  
3 IN VALUE DUE TO IMPROVED ALTERNATIVES BECOMING  
4 AVAILABLE THAT ARE MORE COST EFFECTIVE, OR DUE TO THE  
5 AVAILABILITY OF MORE ADVANCED TECHNOLOGY THAT  
6 ALLOWS FOR MORE EFFICIENCY SUCH AS EARLIER  
7 REPLACEMENT OF INFORMATION TECHNOLOGY ASSETS, AS MAY  
8 BE VERIFIED AND APPROVED BY THE INVESTMENT PROMOTION  
9 AGENCY; AND

10 "(Y) "DIRECTLY ATTRIBUTABLE" SHALL INCLUDE ANY  
11 GOODS AND SERVICES THAT ARE INCIDENTAL TO AND  
12 REASONABLY NECESSARY FOR THE REGISTERED PROJECT OR  
13 ACTIVITY OF THE REGISTERED ENTERPRISE: *PROVIDED*, THAT  
14 THE SOLE AND FINAL DETERMINATION OF WHAT SHALL BE  
15 CONSIDERED AS "DIRECTLY ATTRIBUTABLE" TO THE  
16 REGISTERED PROJECT OR ACTIVITY OF THE REGISTERED  
17 ENTERPRISE SHALL BE WITH THE RELEVANT INVESTMENT  
18 PROMOTION AGENCY: *PROVIDED, FURTHER*, THAT NO  
19 APPROVAL BY SUCH INVESTMENT PROMOTION AGENCIES  
20 SHALL BE REQUIRED FOR THE SALE AND PURCHASE OF GOODS  
21 AND SERVICES TO BE ENTITLED TO THE INCENTIVES HEREIN."

22 "x x x."

23 **SEC. 12.** Section 294 of the National Internal Revenue Code of 1997, as  
24 amended, is hereby further amended to read as follows:

25 "SEC. 294. *Incentives.* – Subject to the conditions and period of  
26 availment in Sections 295, [and] 296, **AND 296-A** respectively, the  
27 following types of tax incentives may be granted to registered projects or  
28 activities:

29 (A) *Income Tax Holiday (ITH).* - **FOR ALL REGISTERED**  
30 **BUSINESS ENTERPRISES, EXEMPTION FROM INCOME TAX;**

31 (B) *Special Corporate Income Tax (SCIT) Rate.* – For export  
32 enterprise, a tax rate equivalent to 5% [~~effective July 1, 2020,~~] based on

1 the gross income earned, in lieu of all national and local taxes, **LOCAL**  
2 **FEES AND CHARGES.**

3 "x x x.

4 "(C) *Enhanced Deductions **REGIME (EDR)***. – For export  
5 enterprise and domestic market enterprise, the following may be allowed  
6 as deductions:

7 "(1) x x x

8 "(2) x x x

9 "(3) x x x

10 "(4) x x x

11 "(5) x x x

12 "(6) [~~Fifty percent (50%)~~] **ONE HUNDRED PERCENT**  
13 **(100%)** additional deduction on power expense incurred in the  
14 taxable year;

15 "(7) Deduction for reinvestment allowance to manufacturing  
16 **AND TOURISM** industr[y]IES. – When a manufacturing **OR**  
17 **TOURISM** registered business enterprise reinvests its  
18 undistributed profit or surplus in **MANUFACTURING OR**  
19 **TOURISM** [~~any of the~~] projects or activities, **RESPECTIVELY,**  
20 **THAT ARE** listed in the [~~Strategic Investment Priority Plan~~] **SIPP,**  
21 the amount reinvested to a maximum of fifty percent (50%) shall  
22 be allowed as a deduction from its taxable income within a period  
23 of five (5) years from the time of such reinvestment[ ~~and~~]:  
24 **PROVIDED, THAT THIS DEDUCTION CAN ONLY BE**  
25 **AVAILED OF UNTIL DECEMBER 31, 2034;**

26 **"(8) FIFTY PERCENT (50%) ADDITIONAL**  
27 **DEDUCTION ON EXPENSES RELATING TO EXHIBITIONS,**  
28 **TRADE MISSIONS OR TRADE FAIRS; AND**

29 ~~"(8) (9)~~ **(9)** Enhanced Net Operating Loss Carry-Over  
30 (NOLCO). – The net operating loss of the registered project or  
31 activity during the first three (3) years from the start of commercial  
32 operation, which had not been previously offset as deduction from

1 gross income, may be carried over as deduction from gross income  
2 within the next five (5) consecutive taxable years immediately  
3 following the **LAST** year of [~~such loss~~] **THE ITH ENTITLEMENT**  
4 **PERIOD OF THE PROJECT.**

5 “(D) Duty exemption on importation of capital equipment, raw  
6 materials, spare parts, or accessories, **INCLUDING GOODS USED FOR**  
7 **ADMINISTRATIVE PURPOSES** of the registered project or activity;  
8 ~~{and}~~

9 “(E) Value-Added Tax (VAT) exemption on importation and VAT  
10 zero-rating on local purchases~~[-.];~~

11 “(F) **REGISTERED BUSINESS ENTERPRISE LOCAL TAX. –**  
12 **THERE SHALL BE IMPOSED A REGISTERED BUSINESS**  
13 **ENTERPRISE LOCAL TAX AT THE RATE OF TWO PERCENT (2%)**  
14 **BASED ON GROSS INCOME OF REGISTERED BUSINESS**  
15 **ENTERPRISES DURING THE ITH AND EDR AS PROVIDED UNDER**  
16 **SECTIONS 294 (A) AND (C) OF THIS CODE, RESPECTIVELY,**  
17 **WHICH SHALL BE IN LIEU OF ALL LOCAL TAXES, FEES, AND**  
18 **CHARGES IMPOSED BY THE LOCAL GOVERNMENT UNIT UNDER**  
19 **REPUBLIC ACT NO. 7160 OR THE LOCAL GOVERNMENT CODE OF**  
20 **1991: PROVIDED, THAT REAL PROPERTY TAXES SHALL REMAIN**  
21 **TO BE IMPOSED ON LAND OWNED BY DEVELOPERS.**

22 **SEC. 13.** Section 295 of the National Internal Revenue Code of 1997, as  
23 amended, is hereby further amended to read as follows:

24 “SEC. 295. *Conditions of Availment.* – The **AVAILMENT OF** tax  
25 incentives in the preceding Section shall be governed by the following  
26 rules **AT THE OPTION OF THE REGISTERED BUSINESS**  
27 **ENTERPRISE:**

28 [~~“(A) The income tax holiday shall be followed by the Special~~  
29 ~~Corporate Income Tax Rate or Enhanced Deductions.~~

30 [~~“(B) At the option of the export enterprise, the Special Corporate~~  
31 ~~Income Tax rate or enhanced deductions shall be granted: *Provided, That*~~

1 in no case shall the enhanced deductions be granted simultaneously with  
2 the Special Corporate Income Tax.]

3 **(A) FOR REGISTERED EXPORT ENTERPRISES:**

4 **(1) ITH SHALL BE FOLLOWED BY SCIT OR EDR; OR**

5 **(2) SCIT, WHICH SHALL BE IN LIEU OF ALL**  
6 **NATIONAL AND LOCAL TAXES, FEES AND CHARGES,**  
7 **EXCEPT REAL PROPERTY TAXES ON LAND OWNED BY**  
8 **DEVELOPERS OR EDR, MAY BE GRANTED IMMEDIATELY AT**  
9 **THE START OF COMMERCIAL OPERATIONS; OR**

10 **(3) EDR, WHICH MAY BE GRANTED IMMEDIATELY**  
11 **AT THE START OF COMMERCIAL OPERATIONS:**

12 ***PROVIDED,* THAT THE ELECTED INCENTIVE**  
13 **PACKAGE SHALL BE IRREVOCABLE FOR THE ENTIRE**  
14 **DURATION OF ENTITLEMENT TO SUCH INCENTIVES**  
15 **UNDER SECTION 296 OF THIS CODE: *PROVIDED,***  
16 ***FURTHER,* THAT IN NO CASE SHALL THE EDR BE GRANTED**  
17 **SIMULTANEOUSLY WITH THE SCIT.**

18 **(B) FOR REGISTERED DOMESTIC MARKET ENTERPRISES:**

19 **(1) ITH SHALL BE FOLLOWED BY EDR; OR**

20 **(2) EDR MAY BE GRANTED IMMEDIATELY AT THE**  
21 **START OF COMMERCIAL OPERATIONS:**

22 ***PROVIDED,* THAT THE ELECTED INCENTIVE**  
23 **PACKAGE SHALL BE IRREVOCABLE FOR THE ENTIRE**  
24 **DURATION OF ENTITLEMENT TO SUCH INCENTIVES**  
25 **UNDER SECTION 296 OF THIS CODE.**

26 "The following conditions for the availment of each enhanced  
27 [deductions] **DEDUCTION** shall be complied with:

28 "(1) xxx

29 "(2) xxx

30 "(3) xxx

31 "(4) xxx

32 "(5) xxx

1           “(6) The additional deduction~~S~~ on power expense shall only apply  
2 to power utilized for the registered project or activity.

3           “(7) The deduction for reinvestment allowance to manufacturing  
4 **AND TOURISM** industr[y]IES shall be determined in the [~~Strategic~~  
5 ~~Investment Priority Plan~~] **SIPP**;

6           “(8) **THE ADDITIONAL DEDUCTION ON EXPENSES**  
7 **RELATING TO TRADE FAIRS, EXHIBITIONS, OR TRADE**  
8 **MISSIONS SHALL INCLUDE EXPENSES INCURRED IN**  
9 **PROMOTING THE EXPORT OF GOODS OR THE PROVISION OF**  
10 **SERVICES TO FOREIGN MARKETS APPROVED BY THE**  
11 **CONCERNED INVESTMENT PROMOTION AGENCY.**

12           **THE DEPARTMENT OF FINANCE, IN COORDINATION WITH**  
13 **THE BUREAU OF INTERNAL REVENUE AND INVESTMENT**  
14 **PROMOTION AGENCIES, SHALL PRESCRIBE THE TERMS AND**  
15 **CONDITIONS ON THE GRANT OF ENHANCED DEDUCTIONS**  
16 **REGIME UNDER SECTIONS 294(C) AND THIS SECTION.**

17           “(C) The duty exemption shall only apply to the importation of  
18 capital equipment, raw materials, spare parts, or accessories directly [~~and~~  
19 ~~exclusively used in~~] **ATTRIBUTABLE TO** the registered project or activity  
20 by registered business enterprises, **INCLUDING GOODS USED FOR**  
21 **ADMINISTRATIVE PURPOSES: *Provided,*** That the following conditions  
22 are complied with:

23           “(1) The capital equipment, raw materials, spare parts, or  
24 accessories, are directly **ATTRIBUTABLE TO** [~~and reasonably~~  
25 ~~needed and will be used exclusively in and as part of the direct cost~~  
26 ~~of~~] the registered project or activity of the registered business  
27 enterprise, **INCLUDING GOODS USED FOR**  
28 **ADMINISTRATIVE PURPOSES**, and are not produced or  
29 manufactured domestically in sufficient quantity or of comparable  
30 quality and at reasonable prices. Prior approval of the Investment  
31 Promotion Agency [~~may~~] **MUST** be secured for the part-time  
32 utilization of said capital equipment, raw materials, spare parts, or

1 accessories in a non-registered project or activity to maximize  
2 usage thereof: **PROVIDED, THAT THE REGISTERED**  
3 **BUSINESS ENTERPRISE SHALL ADOPT A METHOD TO BEST**  
4 **ALLOCATE THE SAME AT THE TIME OF APPLICATION FOR**  
5 **THE ISSUANCE OF A CERTIFICATE OF AUTHORITY TO**  
6 **IMPORT, OR ITS EQUIVALENT;** *Provided, FURTHER,* That the  
7 proportionate taxes and duties are paid on a specific capital  
8 equipment, raw materials, spare parts, or accessories in proportion  
9 to the utilization for non-registered projects or activities. In the  
10 event that the capital equipment, raw materials, spare parts, or  
11 accessories shall be used for a non-registered project or activity of  
12 the registered business enterprise at any time within the first five  
13 (5) years from **THE** date of importation, the registered business  
14 enterprise shall first seek prior approval of the concerned  
15 Investment Promotion Agency and pay the taxes and customs  
16 duties that were not paid upon the importation; and

17 “(2) The approval of the Investment Promotion Agency was  
18 obtained by the registered business enterprise prior to the  
19 importation of such capital equipment, raw materials, spare parts,  
20 or accessories.

21 **“AN INVESTMENT PROMOTION AGENCY MAY**  
22 **AUTHORIZE THE IMPORTATION OF CAPITAL EQUIPMENT,**  
23 **RAW MATERIALS, SPARE PARTS, OR ACCESSORIES,**  
24 **PENDING ISSUANCE OF THE CERTIFICATE OF**  
25 **REGISTRATION, SUBJECT TO THE POSTING OF**  
26 **PERFORMANCE BOND OR BANK GUARANTEE EQUIVALENT**  
27 **TO DUTIES AND TAXES WAIVED ON SUCH IMPORTATIONS**  
28 **AND OTHER CONDITIONS AS MAY BE DETERMINED BY**  
29 **THE CONCERNED INVESTMENT PROMOTION AGENCY AND**  
30 **THE BUREAU OF CUSTOMS.**

31 **“NO TAXES AND DUTIES SHALL BE IMPOSED ON**  
32 **SUBSEQUENT SALE, TRANSFER, OR DISPOSITION OF THE**

1           **CAPITAL EQUIPMENT, RAW MATERIALS, SPARE PARTS,**  
2           **OR ACCESSORIES, WHICH WERE GRANTED TAX AND**  
3           **CUSTOMS DUTY EXEMPTION HEREUNDER [W]** within the first  
4           five (5) years from date of importation, approval of the Investment  
5           Promotion Agency must be secured before the sale, transfer, or  
6           disposition of the capital equipment, raw materials, spare parts, or  
7           accessories, which were granted tax and customs duty exemption  
8           hereunder, and shall be allowed only under **ANY OF** the following  
9           circumstances:

10                   “(a) If made to another enterprise availing customs  
11                   duty exemption on imported capital equipment, raw  
12                   materials, spare parts, or accessories;

13                   ~~“(b) If made to another enterprise not availing of~~  
14                   ~~duty exemption on imported capital equipment, raw~~  
15                   ~~materials, spare parts, or accessories, upon payment of any~~  
16                   ~~taxes and duties due on the net book value of the capital~~  
17                   ~~equipment, raw materials, spare parts, or accessories to be~~  
18                   ~~sold;]~~

19                   “~~{e}~~”(B) Exportation of capital equipment, raw materials,  
20                   spare parts, accessories, source documents, or those required for  
21                   pollution abatement and control; **OR**

22                   ~~“(d) Proven technical obsolescence of the capital~~  
23                   ~~equipment, raw materials, spare parts, or accessories; or]~~

24                   “~~{e}~~”(C) If donated to the **GOVERNMENT OF THE**  
25                   **PHILIPPINES OR TO ANY OF ITS AGENCIES OR POLITICAL**  
26                   **SUBDIVISIONS, INCLUDING FULLY-OWNED**  
27                   **GOVERNMENT CORPORATIONS, TESDA, State Universities and**  
28                   **Colleges (SUCs), or DepEd and CHED-accredited schools: *Provided,***  
29                   That the donation shall be exempt from import duties and taxes,  
30                   including donor's tax.

31                   **“IN CASE OF SUBSEQUENT SALE, TRANSFER, OR**  
32                   **DISPOSITION OF TAX AND DUTY-FREE CAPITAL**

1           EQUIPMENT, RAW MATERIALS, SPARE PARTS, OR  
2           ACCESSORIES WITHIN THE FIRST FIVE (5) YEARS FROM  
3           DATE OF IMPORTATION AND UPON APPROVAL BY THE  
4           INVESTMENT PROMOTION AGENCY, THERE SHALL BE  
5           TAXES AND DUTIES ASSESSED BASED ON THE NET BOOK  
6           VALUE OF THE CAPITAL EQUIPMENT, RAW MATERIALS,  
7           SPARE PARTS OR ACCESSORIES:

8                   “(A) IF MADE TO ANOTHER ENTERPRISE NOT  
9                   AVAILING OF DUTY EXEMPTION ON IMPORTED  
10                  CAPITAL EQUIPMENT, RAW MATERIALS, SPARE  
11                  PARTS, OR ACCESSORIES; OR

12                  “(B) IF THERE IS PROVEN TECHNICAL  
13                  OBSOLESCENCE OF THE CAPITAL EQUIPMENT, RAW  
14                  MATERIALS, SPARE PARTS, OR ACCESSORIES.

15           *“Provided,* That if the registered business enterprise sells,  
16           transfers, or disposes the aforementioned imported items without  
17           prior approval, the registered business enterprise and the vendee,  
18           transferee, or assignee shall be solidarily liable to pay twice the  
19           amount of the duty exemption that should have been paid during  
20           its importation: *Provided, further,* That the sale, transfer, or  
21           disposition of the capital equipment, raw materials, spare parts, or  
22           accessories made after five (5) years from date of importation shall  
23           require that prior notice be given by the registered business  
24           enterprise to the Investment Promotion Agency: *Provided, [finally]*  
25           **FURTHERMORE,** That even if the sale, transfer, or disposition of  
26           the capital equipment, raw materials, spare parts or accessories  
27           was made after five (5) years from date of importation with notice  
28           to the Investment Promotion Agency, the registered business  
29           enterprise is still liable to pay the duties based on the net book  
30           value of the capital equipment, raw materials, spare parts, or  
31           accessories if it has violated any of its registration terms and  
32           conditions.

1           “(D) The VAT exemption on importation and VAT zero-rating on  
2 local purchases shall only apply to goods and services directly [~~and~~  
3 ~~exclusively used in~~] **ATTRIBUTABLE TO** the registered project or  
4 activity, **INCLUDING EXPENSES INCIDENTAL THERETO, [by] OF** a  
5 registered **EXPORT ENTERPRISE, OR A REGISTERED HIGH-VALUE**  
6 **DOMESTIC MARKET ENTERPRISE, [~~business-enterprise.~~] WHICH**  
7 **SHALL INCLUDE JANITORIAL SERVICES, SECURITY SERVICES,**  
8 **FINANCIAL SERVICES, CONSULTANCY SERVICES, MARKETING**  
9 **AND PROMOTION, AND SERVICES RENDERED FOR**  
10 **ADMINISTRATIVE OPERATIONS SUCH AS HUMAN RESOURCES,**  
11 **LEGAL, AND ACCOUNTING: *PROVIDED*, THAT THE PROJECT OR**  
12 **ACTIVITY REGISTERED WITH THE INVESTMENT PROMOTION**  
13 **AGENCY SHALL BE SUBJECT TO THE FOLLOWING CONDITIONS:**

14                   “(1) **SALE OF GOODS OR SERVICES BY A VAT-**  
15 **REGISTERED SELLER TO A REGISTERED EXPORT**  
16 **ENTERPRISE, REGARDLESS OF LOCATION, SHALL BE**  
17 **SUBJECT TO ZERO PERCENT (0%) VAT;**

18                   “(2) **SALE, TRANSFER, OR DISPOSAL OF**  
19 **PREVIOUSLY VAT-EXEMPT IMPORTED CAPITAL**  
20 **EQUIPMENT, RAW MATERIALS, SPARE PARTS, AND**  
21 **ACCESSORIES SHALL BE SUBJECT TO THE FOLLOWING**  
22 **RULES:**

23                   **I. IF THE PURCHASER IS A REGISTERED EXPORT**  
24 **ENTERPRISE, REGARDLESS OF LOCATION,**  
25 **THE TRANSACTION SHALL BE SUBJECT TO**  
26 **ZERO PERCENT (0%) VAT;**

27                   **II. IF THE SELLER IS A REGISTERED DOMESTIC**  
28 **MARKET ENTERPRISE, REGARDLESS OF**  
29 **LOCATION, THE TRANSACTION SHALL BE**  
30 **SUBJECT TO TWELVE PERCENT (12%) VAT**  
31 **BASED ON THE NET BOOK VALUE OF THE**

1 CAPITAL EQUIPMENT, RAW MATERIALS,  
2 SPARE PARTS, OR ACCESSORIES; AND

3 **III. IF THE SELLER IS A REGISTERED DOMESTIC**  
4 **MARKET ENTERPRISE AND THE PURCHASER**  
5 **IS A REGISTERED EXPORT ENTERPRISE,**  
6 **REGARDLESS OF LOCATION, THE**  
7 **TRANSACTION SHALL BE SUBJECT TO ZERO**  
8 **PERCENT (0%) VAT:**

9 "ANY REGISTERED EXPORT ENTERPRISE THAT FAILS TO  
10 MEET THE SEVENTY PERCENT (70%) EXPORT SALES IN THE  
11 IMMEDIATELY PRECEDING YEAR OR HIGH-VALUE DOMESTIC  
12 MARKET ENTERPRISE THAT FAILS TO MEET THE EXPORT SALE  
13 OR INVESTMENT CAPITAL REQUIREMENT SHALL BE  
14 DISQUALIFIED FROM AVAILING OF DUTY EXEMPTION ON  
15 IMPORTATION OF CAPITAL EQUIPMENT, RAW MATERIALS,  
16 SPARE PARTS, OR ACCESSORIES, VAT EXEMPTION ON  
17 IMPORTATION, OR VAT ZERO-RATING ON LOCAL PURCHASES IN  
18 THE IMMEDIATELY SUCCEEDING YEAR.

19 "Notwithstanding the provisions in the preceding paragraphs, sales  
20 receipts and other income derived from non-registered project or activity  
21 shall be subject to appropriate taxes imposed under this Code.

22 "(E) xxx

23 "(F) xxx

24 "(G) xxx

25 "Registered business enterprises, whose performance  
26 commitments include job generation, shall maintain their employment  
27 levels to the extent practicable, and in the case of reduced employment  
28 or when the performance commitment for job generation is not met, the  
29 registered business enterprises must submit to their respective  
30 Investment Promotion Agencies and the Fiscal Incentives Review Board  
31 their justificationS for the same."

1           “(H) THE REGISTERED BUSINESS ENTERPRISE LOCAL TAX  
2 SHALL BE IMPOSED ON A REGISTERED BUSINESS ENTERPRISE  
3 FOR AS LONG AS IT MEETS THE CONDITIONS FOR ITS  
4 REGISTRATION, DURING THE PERIOD OF AVAILMENT OF THE  
5 ITH AND THE EDR.

6           “THE TAX SHALL BE DIRECTLY REMITTED BY THE  
7 REGISTERED BUSINESS ENTERPRISE TO THE TREASURER'S  
8 OFFICE OF THE MUNICIPALITY OR CITY WHERE THE  
9 ENTERPRISE IS LOCATED.

10           “WHERE TWO (2) OR MORE LOCAL GOVERNMENT UNITS  
11 COVER THE SAME ENTERPRISE, THE SHARING BETWEEN SUCH  
12 LOCAL GOVERNMENT UNITS SHALL BE AS FOLLOWS:

13           1. FIFTY PERCENT (50%) OF REVENUES SHALL BE  
14 SHARED EQUALLY AMONG THE LOCAL GOVERNMENT  
15 UNITS; AND

16           2. FIFTY PERCENT (50%) OF REVENUES SHALL BE  
17 APPORTIONED BASED ON THE POPULATION OF THE  
18 LOCAL GOVERNMENT UNITS.

19           “FIFTY PERCENT (50%) OF THE SHARE OF THE  
20 MUNICIPALITY BASED ON THE FOREGOING ALLOCATION SHALL  
21 BE REMITTED TO THE PROVINCE WHERE THE SAID  
22 MUNICIPALITY IS LOCATED: *PROVIDED THAT*, FOR CITIES, IT  
23 SHALL RETAIN ONE HUNDRED PERCENT (100%) OF ITS SHARE.

24           “LOCAL GOVERNMENT UNITS MAY REDUCE OR WAIVE THE  
25 RATE OF TAX, OR THEIR SHARE THEREOF IN THE CASE OF TWO  
26 (2) OR MORE LOCAL GOVERNMENT UNITS COVERING THE SAME  
27 ENTERPRISE.

28           **SEC. 14.** A new Section 295-A shall be introduced in the National Internal  
29 Revenue Code of 1997, as amended. The new Section 295-A shall read as follows:

30           “**SEC. 295-A. REGISTERED BUSINESS ENTERPRISES**  
31 **TAXPAYER SERVICE.** – THERE IS HEREBY CREATED A SEPARATE  
32 SERVICE WITHIN THE BUREAU OF INTERNAL REVENUE THAT

1 WILL SUPPORT THE END-TO-END TAX COMPLIANCE OF  
2 REGISTERED BUSINESS ENTERPRISES. THE COMMISSIONER  
3 SHALL PRESCRIBE THE MANNER AND PLACE OF FILING OF  
4 RETURNS AND PAYMENTS OF TAXES BY REGISTERED  
5 BUSINESS ENTERPRISES THROUGH THE SAID SERVICE. FOR  
6 EASE OF COMPLIANCE WITH TAX RULES AND REGULATIONS,  
7 SIMPLIFIED FILING AND PAYMENT PROCESSES SHALL BE  
8 IMPLEMENTED FOR REGISTERED BUSINESS ENTERPRISES."

9 **SEC. 15.** Section 296 of the National Internal Revenue Code of 1997, as  
10 amended, is hereby further amended to read as follows:

11 "SEC. 296. *Period of Availment OF INCENTIVES FOR*  
12 *PROJECTS OR ACTIVITIES APPROVED BY THE INVESTMENT*  
13 *PROMOTION AGENCIES.* - The period of availment of [~~incentive~~]  
14 **INCENTIVES GRANTED** by the **INVESTMENT PROMOTION**  
15 **AGENCIES TO** registered business [~~enterprise~~] **ENTERPRISES** shall be  
16 as follows:

17 "(A) For export enterprise, [~~income tax holiday~~] **ITH** of four (4)  
18 to seven (7) years, depending on location and industry priorities as  
19 specified in this Section, and followed by [~~special corporate income tax~~  
20 ~~rate~~] **SCIT** or [~~enhanced deductions~~] **EDR** for ten (10) years[-], **OR SCIT**  
21 **OR EDR FOR A MAXIMUM PERIOD OF FOURTEEN (14) TO**  
22 **SEVENTEEN (17) YEARS, DEPENDING ON LOCATION AND**  
23 **INDUSTRY PRIORITIES, EXCEPT WHEN GRANTED BY THE FISCAL**  
24 **INCENTIVES REVIEW BOARD UNDER SECTION 296-A OF THIS**  
25 **TITLE: PROVIDED, THAT REAPPLICATION FOR INCENTIVES**  
26 **SHALL BE ALLOWED FOR THE SAME REGISTERED PROJECT OR**  
27 **ACTIVITY ONLY IF SUCH PROJECT OR ACTIVITY EMPLOYS AT**  
28 **LEAST TEN THOUSAND (10,000) EMPLOYEES AND SHALL BE**  
29 **MAINTAINED DURING ITS REGISTRATION.**

30 "A qualified expansion or entirely new project or activity registered  
31 under this Act may qualify to avail of incentives, subject to the

1 qualifications set forth in the [~~Strategic Investment Priority Plan~~] **SIPP**  
2 and performance review by the **INVESTMENT PROMOTION AGENCY**  
3 **OR** Fiscal Incentives Review Board, **SUBJECT TO THE INVESTMENT**  
4 **CAPITAL THRESHOLD PROVIDED UNDER SECTION 297 (B) OF**  
5 **THIS CODE:** [~~Provided, That existing registered projects or activities prior~~  
6 ~~to the effectivity of this Act may qualify to register and avail of the~~  
7 ~~incentives granted under this Act for the prescribed period, subject to the~~  
8 ~~criteria and conditions set forth in the Strategic Investment Priority Plan;~~]

9       “(B) For domestic market enterprise under the [~~Strategic~~  
10 ~~Investment Priority Plan~~] **SIPP**, [~~income tax holiday~~] **ITH** for four (4) to  
11 seven (7) years followed by [~~enhanced deductions~~] **EDR** for [~~five (5)~~]  
12 **TEN (10)** years[-], **OR EDR FOR A MAXIMUM PERIOD OF**  
13 **FOURTEEN (14) TO SEVENTEEN (17) YEARS, DEPENDING ON**  
14 **LOCATION AND INDUSTRY PRIORITIES, EXCEPT WHEN**  
15 **GRANTED BY THE FISCAL INCENTIVES REVIEW BOARD UNDER**  
16 **SECTION 296-A OF THIS TITLE: PROVIDED, THAT**  
17 **REAPPLICATION FOR INCENTIVES SHALL BE ALLOWED FOR THE**  
18 **SAME REGISTERED PROJECT OR ACTIVITY ONLY IF**  
19 **EMPLOYMENT LEVEL FOR SUCH PROJECT OR ACTIVITY IS**  
20 **EMPLOYS AT LEAST TEN THOUSAND EMPLOYEES AND SHALL BE**  
21 **MAINTAINED DURING ITS REGISTRATION: PROVIDED,**  
22 **FURTHER THAT [A]** a qualified expansion or entirely new project or  
23 activity registered under this Act may qualify to avail of incentives, subject  
24 to the qualifications set forth in the [~~Strategic Investment Priority Plan~~]  
25 **SIPP** and performance review by the **INVESTMENT PROMOTION**  
26 **AGENCY IN COORDINATION WITH THE** Fiscal Incentives Review  
27 Board: [~~Provided, That existing registered projects or activities prior to the~~  
28 ~~effectivity of this Act may qualify to register and avail of the incentives~~  
29 ~~granted under this Act for the prescribed period, subject to the criteria and~~  
30 ~~conditions set forth in the Strategic Investment Priority Plan.~~]

1           “The period of availment of the foregoing **INCOME TAX-BASED**  
2 incentives shall commence from the actual start of commercial operations  
3 with the registered business enterprise availing of the tax incentives within  
4 three (3) years from the date of registration, unless otherwise provided in  
5 the [~~Strategic Investment Priority Plan~~] **SIPP** and its corresponding  
6 guidelines. [~~:- Provided, That after the expiration of the transitory period~~  
7 ~~under Section 311 (C), export enterprises registered prior to the effectivity~~  
8 ~~of this Act shall have the option to reapply and avail of the incentives~~  
9 ~~granted under Section 294(B) for the same period provided under this~~  
10 ~~Section, subject to the conditions and qualifications set forth in the~~  
11 ~~Strategic Investment Priority Plan and performance review by the Fiscal~~  
12 ~~Incentives Review Board.]~~

13           “xxx.”

14           “(3) Tier III activities shall include (i) research and development  
15 resulting in demonstrably significant value-added, higher productivity,  
16 improved efficiency, breakthroughs in science and health, and high-paying  
17 jobs; (ii) generation of new knowledge and intellectual property registered  
18 and/or licensed in the Philippines; (iii) commercialization of patents,  
19 industrial designs, copyrights and utility models owned or co-owned by a  
20 registered business enterprise; (iv) highly technical manufacturing; or (v)  
21 are critical to the structural transformation of the economy and require  
22 substantial catch-up efforts, **INCLUDING BUT NOT LIMITED TO**  
23 **CYBER-SECURITY, ARTIFICIAL INTELLIGENCE, AND DATA-**  
24 **CENTER FACILITIES.**

25           “xxx”

26           The period of availment of incentives based on the combination of  
27 both location and industry priorities, as determined in the [s]**S**trategic  
28 [i]**I**nvestment [p]**P**riority [p]**P**lan, shall be as follows:

29           For exporters:

<b>Location/Industry Tiers</b>	<b>Tier I</b>	<b>Tier II</b>	<b>Tier III</b>
National Capital Region	4 ITH + 10 EDR/SCIT, <b>OR</b> <b>14 EDR/SCIT</b>	5 ITH + 10 EDR/SCIT, <b>OR</b> <b>15 EDR/SCIT</b>	6 ITH + 10 EDR/SCIT, <b>OR</b> <b>16 EDR/SCIT</b>
Metropolitan areas or areas contiguous and adjacent to the National Capital Region	5 ITH + 10 EDR/SCIT <b>OR</b> <b>15 EDR/SCIT</b>	6 ITH + 10 EDR/SCIT, <b>OR</b> <b>16 EDR/SCIT</b>	7 ITH + 10 EDR/SCIT, <b>OR</b> <b>17 EDR/SCIT</b>
All other areas	6 ITH + 10 EDR/SCIT, <b>OR</b> <b>16 EDR/SCIT</b>	7 ITH + 10 EDR/SCIT, <b>OR</b> <b>17 EDR/SCIT</b>	7 ITH + 10 EDR/SCIT, <b>OR</b> <b>17 EDR/SCIT</b>

1

2

For domestic market activities:

<b>Location/Industry Tiers</b>	<b>Tier I</b>	<b>Tier II</b>	<b>Tier III</b>
National Capital Region	4 ITH + [5] <b>10</b> ED, <b>OR 14 ED</b>	5 ITH + [5] <b>10</b> ED, <b>OR 15 ED</b>	6 ITH + [5] <b>10</b> ED, <b>OR 16 ED</b>
Metropolitan areas or areas contiguous and adjacent to the National Capital Region	5 ITH + [5] <b>10</b> ED, <b>OR 15 ED</b>	6 ITH + [5] <b>10</b> ED, <b>OR 16 ED</b>	7 ITH + [5] <b>10</b> ED, <b>OR 17 ED</b>
All other areas	6 ITH + [5] <b>10</b> ED, <b>OR 16 ED</b>	7 ITH + [5] <b>10</b> ED, <b>OR 17 ED</b>	7 ITH + [5] <b>10</b> ED, <b>OR 17 ED</b>

1 "In addition to the incentives provided in tiers above, projects or  
2 activities of registered enterprises located in areas recovering from armed  
3 conflict or a major disaster, as determined by the Office of the President,  
4 shall be entitled to two (2) additional years of income tax **INCENTIVES**  
5 **[holiday]**.

6 "Projects or activities registered prior to the effectivity of this Act,  
7 or under the incentive system provided herein that shall, in the duration  
8 of their incentives, completely relocate from the National Capital Region,  
9 shall be entitled to three (3) additional years of income tax **INCENTIVES**  
10 **[holiday]**: *Provided*, That the additional incentive shall commence at the  
11 completion of the relocation of operations.

12 ~~["The industry and locational prioritization specified herein shall~~  
13 ~~be subject to review and revision every three (3) years in accordance with~~  
14 ~~the Strategic Investment Priority Plan, subject to the standards in Section~~  
15 ~~300 hereof or in exceptional circumstances, to attract substantial~~  
16 ~~investment to respond to a situation or crisis or to target specific~~  
17 ~~industries.]~~ **REGISTERED BUSINESS ENTERPRISES MAY**  
18 **CONTINUE TO AVAIL OF THE VAT ZERO-RATING ON LOCAL**  
19 **PURCHASES, VAT EXEMPTION ON IMPORTATION, AND DUTY**  
20 **EXEMPTION ON IMPORTATION OF CAPITAL EQUIPMENT, RAW**  
21 **MATERIALS, SPARE PARTS, OR ACCESSORIES, INCLUDING**  
22 **GOODS USED FOR ADMINISTRATIVE PURPOSES, FOR THE**  
23 **ENTIRE REGISTRATION PERIOD IF THE REGISTERED BUSINESS**  
24 **ENTERPRISES CONTINUE TO MEET THE TERMS AND**  
25 **CONDITIONS OF THEIR REGISTRATION WITH THEIR**  
26 **RESPECTIVE INVESTMENT PROMOTION AGENCIES AND IF THE**  
27 **FOLLOWING REQUIREMENTS ARE MET:**

28 **(1) FOR REGISTERED EXPORT ENTERPRISES,**  
29 **MAINTAIN AT LEAST SEVENTY PERCENT (70%) OF TOTAL**  
30 **ANNUAL PRODUCTION OR OUTPUT AS EXPORT SALES; AND**

1                   (2)    FOR   HIGH-VALUE   DOMESTIC   MARKET  
2                   ENTERPRISES,   SATISFY   THE   INVESTMENT   CAPITAL   OR  
3                   EXPORT   REQUIREMENT   UNDER   SECTION   293(D)   OF   THIS  
4                   CODE   FOR   THE   IMMEDIATELY   PRECEDING   YEAR.

5                   "*PROVIDED, FINALLY, THAT THE AVAILMENT PERIOD OF*  
6                   *DUTY EXEMPTION UNDER SECTION 294 (D), AND VAT ZERO-*  
7                   *RATING ON LOCAL PURCHASES AND VAT EXEMPTION ON*  
8                   *SECTION 294 (E) SHALL BE RECKONED FROM THE DATE OF*  
9                   *REGISTRATION.*"

10                  **SEC. 16.** A new Section 296-A shall be introduced in the National Internal  
11 Revenue Code of 1997, as amended. The new Section 296-A shall read as follows:

12                   "**SEC. 296-A. PERIOD OF AVAILMENT OF INCENTIVES FOR**  
13                   ***PROJECTS OR ACTIVITIES APPROVED BY THE FISCAL INCENTIVES***  
14                   ***REVIEW BOARD. - THE PERIOD OF AVAILMENT OF INCENTIVES***  
15                   **GRANTED BY THE FISCAL INCENTIVES REVIEW BOARD TO**  
16                   **REGISTERED BUSINESS ENTERPRISES SHALL BE AS FOLLOWS:**

17                   "(A) FOR EXPORT ENTERPRISE, ITH OF FOUR (4) TO SEVEN  
18                   (7) YEARS, DEPENDING ON LOCATION AND INDUSTRY  
19                   PRIORITIES AS SPECIFIED IN THIS SECTION, AND FOLLOWED BY  
20                   SCIT OR EDR FOR TWENTY (20) YEARS, OR SCIT OR EDR FOR A  
21                   MAXIMUM PERIOD OF TWENTY-FOUR (24) TO TWENTY-SEVEN  
22                   (27), DEPENDING ON LOCATION AND INDUSTRY PRIORITIES.

23                   "(B) FOR DOMESTIC MARKET ENTERPRISE, ITH OF FOUR  
24                   (4) TO SEVEN (7) YEARS, FOLLOWED BY EDR FOR TWENTY (20)  
25                   YEARS, OR EDR FOR A MAXIMUM PERIOD OF TWENTY-FOUR (24)  
26                   TO TWENTY-SEVEN (27) YEARS, DEPENDING ON LOCATION AND  
27                   INDUSTRY PRIORITIES.

28                   "*PROVIDED, THAT A QUALIFIED EXPANSION OR ENTIRELY*  
29                   *NEW PROJECT OR ACTIVITY REGISTERED UNDER THIS ACT MAY*  
30                   *QUALIFY TO AVAIL OF INCENTIVES, SUBJECT TO THE*

1 QUALIFICATIONS SET FORTH IN THE SIPP AND PERFORMANCE  
 2 REVIEW BY THE FISCAL INCENTIVES REVIEW BOARD.

3 "THE PERIOD OF AVAILMENT OF THE FOREGOING  
 4 INCENTIVES SHALL COMMENCE FROM THE ACTUAL START OF  
 5 COMMERCIAL OPERATIONS WITH THE REGISTERED BUSINESS  
 6 ENTERPRISE AVAILING OF THE TAX INCENTIVES WITHIN THREE  
 7 (3) YEARS FROM THE DATE OF REGISTRATION, UNLESS  
 8 OTHERWISE PROVIDED IN THE STRATEGIC INVESTMENT  
 9 PRIORITY PLAN AND ITS CORRESPONDING GUIDELINES.

10 THE PERIOD OF AVAILMENT OF INCENTIVES BASED ON  
 11 THE COMBINATION OF BOTH LOCATION AND INDUSTRY  
 12 PRIORITIES, AS DETERMINED IN THE STRATEGIC INVESTMENT  
 13 PRIORITY PLAN, SHALL BE AS FOLLOWS:

14 FOR EXPORTERS:

LOCATION/INDUSTRY TIERS	TIER I	TIER II	TIER III
NATIONAL CAPITAL REGION	4 ITH + 20 SCIT/EDR, OR 24 SCIT/EDR	5 ITH + 20 SCIT/EDR, OR 25 SCIT/EDR	6 ITH + 20 SCIT/EDR, OR 26 SCIT/EDR
METROPOLITAN AREAS OR AREAS CONTIGUOUS AND ADJACENT TO THE NATIONAL CAPITAL REGION	5 ITH + 20 SCIT/EDR, OR 25 SCIT/EDR	6 ITH + 20 SCIT/EDR, OR 26 SCIT/EDR	7 ITH + 20 SCIT/EDR OR 27 SCIT/EDR
ALL OTHER AREAS	6 ITH + 20 SCIT/EDR, OR 26	7 ITH + 20 SCIT/EDR, OR 27	7 ITH + 20 SCIT/EDR, OR 27

LOCATION/INDUSTRY TIERS	TIER I	TIER II	TIER III
	SCIT/EDR	SCIT/EDR	SCIT/EDR

1

2

**FOR DOMESTIC MARKET ACTIVITIES:**

LOCATION/INDUSTRY TIERS	TIER I	TIER II	TIER III
<b>NATIONAL CAPITAL REGION</b>	4 ITH + 20 SCIT/EDR, OR 24 SCIT/EDR	5 ITH + 20 SCIT/EDR, OR 25 SCIT/EDR	6 ITH + 20 SCIT/EDR, OR 26 SCIT/EDR
<b>METROPOLITAN AREAS OR AREAS CONTIGUOUS AND ADJACENT TO THE NATIONAL CAPITAL REGION</b>	5 ITH + 20 SCIT/EDR, OR 25 SCIT/EDR	6 ITH + 20 SCIT/EDR, OR 26 SCIT/EDR	7 ITH + 20 SCIT/EDR, OR 27 SCIT/EDR
<b>ALL OTHER AREAS</b>	6 ITH + 20 SCIT/EDR, OR 26 SCIT/EDR	7 ITH + 20 SCIT/EDR, OR 27 SCIT/EDR	7 ITH + 20 SCIT/EDR, 27 SCIT/EDR

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**"PROVIDED, THAT REGISTERED BUSINESS ENTERPRISES MAY CONTINUE TO AVAIL OF THE VAT ZERO-RATING ON LOCAL PURCHASES AND VAT EXEMPTION ON IMPORTATION UNDER SECTION 294 (E), AND DUTY EXEMPTION ON IMPORTATION UNDER SECTION 294 (D), FOR THE ENTIRE REGISTRATION PERIOD IF THE REGISTERED BUSINESS ENTERPRISES CONTINUE TO MEET THE TERMS AND CONDITIONS OF THEIR REGISTRATION**

1 WITH THEIR RESPECTIVE INVESTMENT PROMOTION AGENCIES  
2 AND IF THE FOLLOWING REQUIREMENTS ARE MET:

3 (1) FOR REGISTERED EXPORT ENTERPRISES,  
4 MAINTAIN AT LEAST SEVENTY PERCENT (70%) OF TOTAL  
5 ANNUAL PRODUCTION OR OUTPUT AS EXPORT SALES; AND

6 (2) FOR HIGH-VALUE DOMESTIC MARKET  
7 ENTERPRISES, SATISFY THE INVESTMENT CAPITAL OR  
8 EXPORT REQUIREMENT UNDER SECTION 293(D) OF THIS  
9 CODE FOR THE IMMEDIATELY PRECEDING YEAR.

10 *"PROVIDED, FINALLY,* THAT THE AVAILMENT PERIOD OF  
11 DUTY EXEMPTION ON IMPORTATION OF CAPITAL EQUIPMENT,  
12 RAW MATERIALS, SPARE PARTS, OR ACCESSORIES, VAT  
13 EXEMPTION ON IMPORTATION, AND VAT ZERO-RATING ON  
14 LOCAL PURCHASES SHALL BE RECKONED FROM THE DATE OF  
15 REGISTRATION.

16 "IN ADDITION TO THE INCENTIVES PROVIDED IN THE  
17 TIERS ABOVE, PROJECTS OR ACTIVITIES OF REGISTERED  
18 ENTERPRISES LOCATED IN AREAS RECOVERING FROM ARMED  
19 CONFLICT OR A MAJOR DISASTER, AS DETERMINED BY THE  
20 OFFICE OF THE PRESIDENT, SHALL BE ENTITLED TO TWO (2)  
21 ADDITIONAL YEARS OF INCOME TAX INCENTIVES.

22 "PROJECTS OR ACTIVITIES REGISTERED PRIOR TO THE  
23 EFFECTIVITY OF THIS ACT, OR UNDER THE INCENTIVE SYSTEM  
24 PROVIDED HEREIN THAT SHALL, IN THE DURATION OF THEIR  
25 INCENTIVES, COMPLETELY RELOCATE FROM THE NATIONAL  
26 CAPITAL REGION, SHALL BE ENTITLED TO THREE (3)  
27 ADDITIONAL YEARS OF INCOME TAX INCENTIVES: *PROVIDED,*  
28 THAT THE ADDITIONAL INCENTIVE SHALL COMMENCE AT THE  
29 COMPLETION OF THE RELOCATION OF OPERATIONS.

1           **SEC. 17.** Section 297 of the National Internal Revenue Code of 1997, as  
2 amended, is hereby further amended to read as follows:

3           “*SEC. 297. Expanded Functions of the Fiscal Incentives Review Board.*  
4 – The functions and powers of the Fiscal Incentives Review Board created  
5 under Presidential Decree No. 776, as amended, shall be expanded as  
6 follows:

7           “(A) To exercise policy-making [~~and~~], oversight, **REGULATORY,**  
8 **AND QUASI-JUDICIAL** functions on the administration and grant of tax  
9 incentives by the Investment Promotion Agencies and other government  
10 agencies administering tax incentives. In particular, the Fiscal Incentives  
11 Review Board shall:

12                   “(1) Determine the target performance metrics as conditions  
13 to avail of tax incentives;

14                   “(2) Review and [~~audit~~] **MONITOR** the compliance of  
15 **INVESTMENT PROMOTION AGENCIES AND** other government  
16 agencies administering tax incentives, with respect to the  
17 administration and grant of tax incentives and impose sanctions  
18 such as, but not limited to, withdrawal, suspension, or cancellation  
19 of their **AUTHORITY** [~~power~~] to grant tax incentives **UNDER**  
20 **THIS TITLE, WITHOUT PREJUDICE TO THE CONDUCT OF**  
21 **INQUIRY, INVESTIGATION, AND FILING OF APPROPRIATE**  
22 **CRIMINAL AND ADMINISTRATIVE CASES AGAINST**  
23 **ERRING OFFICIALS AND EMPLOYEES IN ACCORDANCE**  
24 **WITH THE PROCEDURES PRESCRIBED UNDER EXISTING**  
25 **LAWS;**

26                   “~~[(3) Determine the minimum contiguous land area that~~  
27 ~~vertical economic zones should comply with;]~~ **AND**

28                   “~~[(4)]~~ **(3)** Conduct regular monitoring and evaluation of  
29 investment and non-investment tax incentives, such as using cost-  
30 benefit analysis (CBA) to determine their impact on the economy

1 and whether agreed performance targets are met, **AND**  
2 **PRESCRIBE THE DATA REQUIREMENTS FOR THE**  
3 **APPLICATION OF INCENTIVES TO ALLOW FOR THE**  
4 **CALCULATION OF COSTS AND BENEFITS UPON**  
5 **APPLICATION; [and]**

6 ~~[(5) Check and verify, as necessary, the compliance of~~  
7 ~~registered business enterprises with the terms and conditions of~~  
8 ~~their availment, in particular the agreed target performance~~  
9 ~~metrics, rules and regulations of this Act, and other relevant laws~~  
10 ~~or issuances;]~~

11 **"FOR THIS PURPOSE, ALL INVESTMENT PROMOTION**  
12 **AGENCIES AND OTHER GOVERNMENT AGENCIES**  
13 **ADMINISTERING TAX INCENTIVES SHALL FURNISH THE FISCAL**  
14 **INCENTIVES REVIEW BOARD WITH ALL ITS ISSUANCES RELATED**  
15 **TO THE GRANT AND ADMINISTRATION OF INCENTIVES.**

16 ~~“(B) To approve or disapprove, the grant of tax incentives to the~~  
17 ~~extent of the registered project or activity **LISTED IN THE NATIONAL**~~  
18 ~~**SIPP** upon the recommendation of the Investment Promotion Agency:~~  
19 ~~*Provided,* That the application for tax incentives shall be duly accompanied~~  
20 ~~by a cost-benefit analysis: *Provided, further,* That the **INVESTMENT**~~  
21 ~~**PROMOTION AGENCIES SHALL USE THE** Fiscal Incentives Review~~  
22 ~~Board **PRESCRIBED** [shall prescribe the] data requirements **AND**~~  
23 ~~**METHODOLOGIES** for the application of incentives **FOR THE**~~  
24 ~~**PURPOSE[S] OF [to allow for the calculation of] CALCULATING THE**~~  
25 ~~costs and benefits upon application: *Provided, further,* That the~~  
26 ~~**INVESTMENT PROMOTION AGENCIES SHALL** grant **THE** [of] tax~~  
27 ~~incentives **OF [to]** registered projects or activities **LISTED EITHER IN**~~  
28 ~~**THE NATIONAL OR LOCAL SIPP** with investment capital of [One]~~  
29 ~~**TWENTY** billion pesos (P[1]20,000,000.00) and below [shall be~~  
30 ~~delegated by the Fiscal Incentives Review Board to the concerned~~  
31 ~~Investment Promotion Agency to the extent of the registered project or~~

1 ~~activity~~]: *Provided, furthermore,* That the Fiscal Incentives Review Board,  
2 **IN CONSULTATION WITH THE INVESTMENT PROMOTION**  
3 **AGENCIES**, may increase the threshold amount of [~~One~~] **TWENTY** billion  
4 pesos (P[~~±~~]20,000,000,000.00);

5 "(C) To approve applications for tax subsidies to government-  
6 owned or -controlled corporations, government instrumentalities,  
7 government commissaries, and state universities and colleges[~~-~~];

8 "For this purpose, the other government agencies shall ensure  
9 complete submission of applications, documents, records, books, or other  
10 relevant data or material;

11 "(D) To formulate **ADDITIONAL TIME-BOUND OR** place-specific  
12 **PROJECTS OR ACTIVITIES FOR INCLUSION IN THE** [~~strategic~~  
13 ~~investment plans~~] **STRATEGIC INVESTMENT PRIORITY PLAN** during  
14 periods of recovery from calamities and post-conflict situations and where  
15 the Fiscal Incentives Review Board determines that there is a need to  
16 attract many classes, firms, that would accelerate the growth of a region's  
17 flagship industries, in accordance with the Medium-Term Development  
18 Plan, [~~The Fiscal Incentives Review Board may formulate and approve~~  
19 ~~place specific strategic investment plans~~] and recommend incentives to the  
20 President, following the same procedure in Section 297;

21 "(E) To **MONITOR CANCELLATION, SUSPENSION, OR**  
22 **WITHDRAWAL OF** [~~cancel, suspend, or withdraw~~] the enjoyment of fiscal  
23 incentives of concerned registered business enterprises [~~on its own~~  
24 ~~initiative or upon the recommendation of the Investment Promotion~~  
25 ~~Agency~~] **BY INVESTMENT PROMOTION AGENCIES** for material  
26 violations of any of the conditions imposed in the grant of fiscal incentives,  
27 including, but not limited to, the non-compliance of the agreed performance  
28 commitments and endorse registered business enterprises whose  
29 incentives are cancelled, suspended, or withdrawn to the concerned  
30 revenue agencies for the assessment and collection of taxes and duties due  
31 commencing from the first year of availment;

1           “(F) x x x;

2           ~~“(G) To require Investment Promotion Agencies and other~~  
3 ~~government agencies administering tax incentives to submit, regularly or~~  
4 ~~when requested, summaries of approved investment and incentives~~  
5 ~~granted, and firm or entity level tax incentives and benefits data as input~~  
6 ~~to the Fiscal Incentives Review Board's review and audit function, and~~  
7 ~~evaluation of performance of recipients of tax incentives. For this purpose,~~  
8 ~~the Fiscal Incentives Review Board shall maintain a masterlist of registered~~  
9 ~~products and services for export or domestic consumption that are entitled~~  
10 ~~to incentives: *Provided*, That to facilitate compliance with the foregoing,~~  
11 ~~the Department of Trade and Industry, in coordination with relevant~~  
12 ~~regulatory bodies, shall cause the registration and reporting by registered~~  
13 ~~business enterprises of the types of services rendered whether domestically~~  
14 ~~or to foreign clients; types of products manufactured domestically, products~~  
15 ~~imported and sold locally, and products exported;]~~

16           ~~“(H) (G) To publish regularly, per firm, the data pertaining to the~~  
17 ~~amount of tax incentives, tax payments, and other related information,~~  
18 ~~including benefits data, **SUBJECT TO THE PROVISIONS OF CHAPTER**~~  
19 ~~**V OF THIS TITLE;**~~

20           ~~“(I) (H) x x x;~~

21           ~~“(J) (I) x x x;~~

22           ~~“(K) (J) To decide on issues, on its own initiative or upon the~~  
23 ~~recommendation of the Investment Promotion Agency, after due hearing,~~  
24 ~~concerning the approval, disapproval, cancellation, suspension, withdrawal,~~  
25 ~~or forfeiture of tax incentives or tax subsidy in accordance with this Act.~~  
26 ~~The Fiscal Incentives Review Board shall decide on the matter within ninety~~  
27 ~~(90) days from the date when the Fiscal Incentives Review Board declares~~  
28 ~~the issues submitted for resolution. A business enterprise adversely~~  
29 ~~affected by the decision of the Fiscal Incentives Review Board may, within~~  
30 ~~thirty (30) days from receipt of the adverse decision, appeal the same to~~  
31 ~~the Court of Tax Appeals;]~~

1           “~~(L)~~ (K) To promulgate such rules and regulations as may be  
2 necessary to implement the intent and provisions of this ~~[Section]~~ **TITLE.**  
3 **FOR PURPOSES OF PUBLICATION, THE FISCAL INCENTIVES**  
4 **REVIEW BOARD MAY MAKE USE OF ANY ELECTRONIC MEANS OF**  
5 **PUBLICATION IN THE OFFICIAL GAZETTE OR ITS OFFICIAL**  
6 **WEBSITE;**

7           “~~(M)~~ (L) xxx;

8           “~~(N)~~ (M) xxx;

9           “~~(O)~~ (N) **TO RECOMMEND POLICIES FOR THE**  
10 **PREVENTION OF FISCAL INCENTIVES AVAILMENT ABUSE AND**  
11 **TAX EVASION UNDER THIS CODE AND SMUGGLING ACTIVITIES;**  
12 **AND**

13           “(O) xxx

14           “xxx.”

15           **SEC. 18.** Section 300 of the National Internal Revenue Code of 1997, as  
16 amended, is hereby further amended to read as follows:

17           “SEC. 300. *Strategic Investment Priority Plan.* – The Board of  
18 Investments, ~~[in coordination]~~ **IN CONSULTATION** with the Fiscal  
19 Incentives Review Board, **AND THE** Investment Promotion Agencies,  
20 other government agencies administering tax incentives, and the private  
21 sector, shall formulate the **NATIONAL** ~~[Strategic Investment Priority~~  
22 ~~Plan]~~ **SIPP** to be submitted to the President for approval, which may  
23 contain recommendations for types of non-fiscal support needed to create  
24 high-skilled jobs to grow a local pool of enterprises, particularly micro,  
25 small and medium enterprises (MSMEs), that can supply to domestic and  
26 global value chains, to increase the sophistication of products and services  
27 that are produced and/or sourced domestically, to expand domestic  
28 supply and reduce dependence on imports, and to attract significant  
29 foreign capital or investment. **EACH INVESTMENT PROMOTION**  
30 **AGENCY, IN CONSULTATION WITH THE BOARD OF**  
31 **INVESTMENTS, MAY FORMULATE THEIR OWN SIPP, WHICH**

1 **SHALL BE KNOWN AS THE "LOCAL SIPP".** The [~~Strategic Investment~~  
2 ~~Priority Plan~~] **NATIONAL AND LOCAL SIPP** shall be valid for a period  
3 of three (3) years, subject to review and amendment every three (3) years  
4 thereafter unless there would be a supervening event that would  
5 necessitate its review[-], **OR IN EXCEPTIONAL CIRCUMSTANCES,**  
6 **TO ATTRACT SUBSTANTIAL INVESTMENT TO RESPOND TO A**  
7 **SITUATION OR CRISIS OR TO TARGET SPECIFIC INDUSTRIES:**  
8 ***PROVIDED,* THAT THE BOARD OF INVESTMENTS SHALL CAUSE**  
9 **THE PUBLICATION OF THE RULES AND REGULATIONS**  
10 **IMPLEMENTING THE NATIONAL AND LOCAL SIPP, INCLUDING**  
11 **ANY AMENDMENTS THEREOF, IN THE OFFICIAL GAZETTE OR**  
12 **NEWSPAPER OF GENERAL CIRCULATION, AND ON ITS OFFICIAL**  
13 **WEBSITE, TO BE EFFECTIVE.**

14 "The **NATIONAL AND LOCAL** [~~Strategic Investment Priority Plan~~]  
15 **SIPP** shall contain the following:

16 "(A) xxx

17 "(B) xxx; and

18 "(C) Terms and conditions on the grant of enhanced deductions  
19 under Section 294(C).

20 "All sectors or industries that may be included in the **NATIONAL**  
21 **AND LOCAL** [~~Strategic Investment Priority Plan~~] **SIPP** shall undergo an  
22 evaluation to determine the suitability and potential of the industry or the  
23 sector in promoting long-term growth and sustainable development, and  
24 the national interest. In no case shall a sector or industry be included in the  
25 [~~Strategic Investment Priority Plan~~] **SIPP** unless it is supported by a formal  
26 evaluation process or report.

27 "xxx."

28 In no case shall the Investment Promotion Agencies accept  
29 applications unless the project or activity is listed in **EITHER** the  
30 **NATIONAL OR LOCAL SIPP** [~~Strategic Investment Priority Plan~~].

1 Projects or activities not listed in the **NATIONAL OR LOCAL SIPP**  
2 [~~Strategic Investment Priority Plan~~] shall be automatically disapproved.

3 **SEC. 19.** Section 301 of the National Internal Revenue Code of 1997, as  
4 amended, is hereby further amended to read as follows:

5 "SEC. 301. *Power of the President to Grant Incentives.* –  
6 Notwithstanding the provisions of Sections 295, 296, **AND 296-A** the  
7 President may, in the interest of national economic development, [~~and~~] **OR**  
8 upon the recommendation of the Fiscal Incentives Review Board, modify  
9 the mix, period or manner of avilment of incentives provided under this  
10 Code **OR** craft the appropriate [~~financial~~] **FISCAL AND NON-FISCAL**  
11 support package for a highly desirable project or a specific industrial activity  
12 based on defined development strategies for creating high-value jobs,  
13 building new industries to diversify economic activities, and attracting  
14 significant foreign and domestic capital or investment, and the fiscal  
15 requirements of the activity or project, subject to maximum incentive levels  
16 recommended by the Fiscal Incentives Review Board: *Provided,* That the  
17 grant of [~~income tax holiday~~] **ITH** shall not exceed [~~eight (8)~~] **TEN (10)**  
18 years **FOLLOWED BY** [~~special corporate income tax rate~~] **SCIT** of five  
19 percent (5%) **OR EDR; OR SCIT OR EDR IMMEDIATELY AT THE**  
20 **START OF COMMERCIAL OPERATIONS** may be granted: *Provided,*  
21 *further,* That the total period of **INCOME TAX-BASED** incentive avilment  
22 shall not exceed forty (40) years.

23 "The Fiscal Incentives Review Board shall determine whether the  
24 benefits that the Government may derive from such investment are clear  
25 and convincing and far outweigh the cost of incentives that will be granted  
26 in determining whether a project or activity is highly desirable.

27 "The [~~exercise by the~~] President [~~of his~~] **MAY EXERCISE THE**  
28 powers under this Section: [~~shall be based on a positive recommendation~~  
29 ~~from the Fiscal Incentives Review Board, upon its determination~~]  
30 **PROVIDED,** *That* the following conditions are satisfied:

1           “(1) The project has a comprehensive sustainable  
2 development plan with clear inclusive business approaches, and  
3 high level of sophistication and innovation; and

4           “(2) Minimum investment capital of Fifty billion pesos  
5 (P50,000,000,000.00) or its equivalent in US dollars, or a minimum  
6 direct local employment generation of at least ten thousand  
7 (10,000) within three (3) years from the issuance of the certificate  
8 of entitlement.

9           “*Provided*, That the threshold shall be subject to a periodic review  
10 by the Fiscal Incentives Review Board every three (3) years, taking into  
11 consideration international standards or other economic indicators:  
12 *Provided, further*, That if the project fails to substantially meet the  
13 projected impact on the economy and agreed performance targets, the  
14 Fiscal Incentives Review Board shall recommend to the President the  
15 cancellation of the tax incentive or **FISCAL AND NON-FISCAL** [~~financial~~]  
16 support package or the modified period or manner of availment of  
17 incentives, after due hearing and an adequate opportunity to substantially  
18 comply with the agreed performance targets and outputs.

19           “For this purpose, **THE PRESIDENT MAY GRANT** [~~financial~~]  
20 **NON-FISCAL** support **PACKAGE LIMITED TO THE** [~~includes~~]  
21 of government resources such as [~~land-use~~] **USE OF LAND** [~~, water~~  
22 ~~appropriation, power provision,~~] and budgetary support provision under  
23 the annual General Appropriations Act.

24           “This power of the President, in as far as it commands additional  
25 public sector expenditures in support of investors, is suspended during  
26 fiscal years when, an [~~unimaginable~~] **UNMANAGEABLE** fiscal deficit is  
27 declared by the President on the advice of the Development Budget  
28 Coordination Committee with a consequence that even core budgetary  
29 obligations, such as, but not limited to, mandatory revenue allotments for  
30 local government units and budget for the National Economic and

1 Development Authority's core public investments program, cannot be fully  
2 financed.

3 "Notwithstanding the provisions in the preceding paragraphs, tax  
4 and duty incentives granted through legislative franchises shall be  
5 [excepted] **EXEMPTED** from the foregoing powers of the President to  
6 review, withdraw, suspend, or cancel tax incentives and subsidies."

7 **SEC. 20.** A new Chapter VI under Title XIII shall be introduced in the  
8 National Internal Revenue Code of 1997, as amended, and the existing Chapter  
9 VI shall be re-sectioned accordingly. The new Chapter VI under Title XIII shall  
10 read as follows:

11 **"CHAPTER VI**

12 **"PENALTIES**

13 "SEC. 308. *Penalties for Noncompliance with Filing and Reportorial*  
14 *Requirements.* - Any registered business enterprise or other registered  
15 enterprise, which fails to comply with filing and reportorial requirements  
16 with the appropriate Investment Promotion Agencies or other government  
17 agencies administering tax incentives and/or, which fails to show proof of  
18 filing of tax returns using the electronic system for filing and payment of  
19 taxes of the Bureau of Internal Revenue under Section 305 hereof, shall be  
20 imposed the following penalties by the appropriate Investment Promotion  
21 Agency or other government agency administering tax incentives:

22 (A) First (1st) Violation - Payment of a fine amounting to One  
23 hundred thousand pesos (P100,000.00);

24 (B) Second (2nd) Violation - Payment of a fine amounting to Five  
25 hundred thousand pesos (P500,000.00); and

26 (C) Third (3rd) Violation - Cancellation by the Fiscal Incentives  
27 Review Board, **OR INVESTMENT PROMOTION AGENCY, AS THE CASE**  
28 **MAY BE**, of the registration of the registered business enterprise or  
29 registered entity with the **FISCAL INCENTIVES REVIEW BOARD OR**

1 Investment Promotion Agency or other government agency administering  
2 tax incentives.

3 *Provided*, That if the failure to show such proof is not due to the  
4 fault of the registered business enterprises or other registered enterprises,  
5 the same shall not be a ground for the suspension of the Income Tax  
6 Holiday (ITH) and/or other tax incentives availment: *Provided, further*, That  
7 collections from the penalties shall accrue to the general fund.

8 ~~[After due process, the Fiscal Incentives Review Board or the~~  
9 ~~concerned Investment Promotion Agency, as the case may be, may cancel~~  
10 ~~the registration, suspend the enjoyment of incentive benefits of any~~  
11 ~~registered enterprise, and/or require refund of incentives enjoyed by such~~  
12 ~~enterprise, including interests and monetary penalties, for any material~~  
13 ~~misrepresentation of information for the purpose of availing more~~  
14 ~~incentives than what it is entitled to under this Code.]~~

15 *Provided*, That the Fiscal Incentives Review Board **OR**  
16 **INVESTMENT PROMOTION AGENCY, AS THE CASE MAY BE**, with the  
17 recommendation of the Commissioner, may revoke or suspend incentives  
18 granted by an **FISCAL INCENTIVES REVIEW BOARD OR** Investment  
19 Promotion Agency, **AS THE CASE MAY BE**, and/or order a business  
20 closure of a registered business enterprise that violates Title VI (Excise  
21 Taxes on Certain Goods) and Title X (Statutory Offenses and Penalties) of  
22 this Code and other related revenue regulations, orders, or issuances of the  
23 government: *Provided, further*, That such authority shall cover the acts of  
24 the registered business enterprise committed even in the first year of  
25 availment of incentives. Notwithstanding the provisions of this Section, the  
26 Department of Finance, the Bureau of Internal Revenue, and the Bureau of  
27 Customs shall retain their respective mandates, powers and functions as  
28 provided for under this Act and related laws.

29 Any government official or employee who fails without justifiable  
30 reason to provide or furnish the required tax incentives report or other data  
31 or information as required under Sections 306 and 307 of this Act<sup>365</sup> shall

1 be penalized, after due process, by a fine equivalent to the official's or  
2 employee's basic salary for a period of one (1) month to six (6) months or  
3 by suspension from government service for not more than one (1) year, or  
4 both, in addition to any criminal and administrative penalties imposable  
5 under existing laws.

6 **SEC. 308-A. ADMINISTRATIVE SANCTIONS ON**  
7 **INVESTMENT PROMOTION AGENCIES. – THE FISCAL INCENTIVES**  
8 **REVIEW BOARD MAY SUSPEND THE AUTHORITY OF THE**  
9 **INVESTMENT PROMOTION AGENCIES TO GRANT AND**  
10 **INCENTIVES FOR ANY WILLFUL VIOLATION OF TITLE XIII OF**  
11 **THIS CODE, SUCH AS:**

12 (A) GRANT OF INCENTIVES TO PROJECTS OR  
13 ACTIVITIES NOT LISTED IN THE NATIONAL OR LOCAL SIPP OR  
14 NOT COMPLIANT WITH QUALIFICATION REQUIREMENTS AS  
15 PROVIDED IN THE SIPP;

16 (B) GRANT OF INCENTIVES TO PROJECTS OR  
17 ACTIVITIES WHOSE INVESTMENT CAPITAL IS BEYOND THE  
18 PRESCRIBED THRESHOLD UNDER SECTION 297(B) OF THIS  
19 CODE;

20 (C) UNJUSTIFIED REFUSAL TO PERMIT EXAMINATION  
21 OR CONDUCT OF PERFORMANCE REVIEW TO DETERMINE THE  
22 COMPLIANCE OF THE INVESTMENT PROMOTION AGENCIES WITH  
23 THE PROVISIONS OF TITLE XIII OF THIS CODE;

24 (D) UNJUSTIFIED REFUSAL TO PERMIT EXAMINATION  
25 OR CONDUCT OF VERIFICATION OF COMPLIANCE WITH THE  
26 PERFORMANCE COMMITMENT OF REGISTERED BUSINESS  
27 ENTERPRISES;

28 (E) SUBMISSION OF FALSE OR MISLEADING  
29 INFORMATION, STATEMENT OR REPORT, AND ANY UNJUSTIFIED

1 NON-SUBMISSION THEREOF TO THE FISCAL INCENTIVES  
2 REVIEW BOARD; OR

3 (F) FAILURE OR REFUSAL TO COMPLY WITH, OR  
4 VIOLATION OF, ANY POLICY OR ANY ORDER, INSTRUCTION, OR  
5 REGULATION ISSUED BY THE FISCAL INCENTIVES REVIEW  
6 BOARD.

7 LIABILITY FOR ANY OF THE FOREGOING OFFENSES SHALL  
8 BE WITHOUT PREJUDICE TO THE FILING OF APPROPRIATE  
9 CRIMINAL AND ADMINISTRATIVE CASES AGAINST ERRING  
10 OFFICIALS AND EMPLOYEES UNDER EXISTING LAWS.

11 IN CASE OF SUSPENSION OF THE AUTHORITY TO GRANT  
12 INCENTIVES, ALL PENDING APPLICATIONS FOR TAX INCENTIVES  
13 WITH THE INVESTMENT PROMOTION AGENCY, REGARDLESS OF  
14 THE INVESTMENT CAPITAL, SHALL BE ELEVATED TO THE FISCAL  
15 INCENTIVES REVIEW BOARD FOR APPROPRIATE ACTION:  
16 *PROVIDED*, THAT THE PERIOD OF SUSPENSION OF SUCH  
17 AUTHORITY SHALL NOT EXCEED SIX (6) MONTHS FROM THE DATE  
18 OF THE DECISION OF THE FISCAL INCENTIVES REVIEW BOARD.

19 **SEC. 308-B. ADMINISTRATIVE SANCTIONS ON**  
20 ***REGISTERED BUSINESS ENTERPRISES.*** - THE FISCAL INCENTIVES  
21 REVIEW BOARD OR THE CONCERNED INVESTMENT PROMOTION  
22 AGENCY, AS THE CASE MAY BE, MAY IMPOSE FINES OF NOT LESS  
23 THAN ONE HUNDRED THOUSAND PESOS (P100,000.00) BUT NOT  
24 MORE THAN TWO MILLION PESOS (P2,000,000) FOR EVERY  
25 VIOLATION UNDER THIS SECTION, AND SUSPEND OR  
26 WITHDRAW THE TAX INCENTIVES GRANTED BY THE FISCAL  
27 INCENTIVES REVIEW BOARD OR THE INVESTMENT PROMOTION  
28 AGENCY, AS THE CASE MAY BE, OR CANCEL THE CERTIFICATE OF  
29 REGISTRATION, FOR ANY WILLFUL VIOLATION OF TITLE XIII OF  
30 THIS CODE, SUCH AS:

1           **(A) NON-COMPLIANCE WITH THE AGREED**  
2 **PERFORMANCE COMMITMENTS OR VIOLATION OF ANY OF THE**  
3 **TERMS AND CONDITIONS IMPOSED IN THE GRANT OF TAX**  
4 **INCENTIVES BY THE FISCAL INCENTIVES REVIEW BOARD OR THE**  
5 **INVESTMENT PROMOTION AGENCY;**

6           **(B) MATERIAL MISREPRESENTATION, OR SUBMISSION**  
7 **OF FALSIFIED OR MISLEADING INFORMATION OR DOCUMENTS**  
8 **SUBMITTED BY THE REGISTERED BUSINESS ENTERPRISE TO THE**  
9 **FISCAL INCENTIVES REVIEW BOARD OR THE CONCERNED**  
10 **INVESTMENT PROMOTION AGENCY;**

11           **(C) UNJUSTIFIED REFUSAL TO PROVIDE THE**  
12 **NECESSARY DOCUMENTS DURING THE CONDUCT OF ONSITE**  
13 **VISITS, INSPECTIONS, CHECKS, OR INVENTORY COUNT FOR THE**  
14 **VERIFICATION AND RECONCILIATION OF THE RECORDS; OR**

15           **(D) FAILURE OR REFUSAL TO COMPLY WITH, OR**  
16 **VIOLATION OF, ANY POLICY, ORDER, INSTRUCTION, OR**  
17 **REGULATION ISSUED BY THE FISCAL INCENTIVES REVIEW**  
18 **BOARD.**

19           **ANY OTHER VIOLATION OF THE PROVISIONS OF TITLE**  
20 **XIII OF THIS CODE MAY WARRANT THE IMPOSITION OF A FINE**  
21 **RANGING FROM FIVE THOUSAND PESOS (P5,000) TO TWO**  
22 **MILLION PESOS (P2,000,000), AND NOT MORE THAN ONE**  
23 **THOUSAND PESOS (P1,000) FOR EACH DAY OF CONTINUING**  
24 **VIOLATION, BUT IN NO CASE TO EXCEED TWO MILLION PESOS**  
25 **(P2,000,000): *PROVIDED*, THAT THE FINES IMPOSED SHALL**  
26 **ACCUE TO THE GENERAL FUND.**

27           **LIABILITY FOR ANY OF THE FOREGOING OFFENSES SHALL**  
28 **BE WITHOUT PREJUDICE TO THE IMPOSITION OF ANY OTHER**  
29 **ADMINISTRATIVE, CIVIL, OR CRIMINAL LIABILITY UNDER**  
30 **EXISTING LAWS.**

1           **IN CASE OF A SUSPENSION OR WITHDRAWAL ORDER**  
2 **WHICH HAS BECOME FINAL AND EXECUTORY, THE FISCAL**  
3 **INCENTIVES REVIEW BOARD OR THE INVESTMENT PROMOTION**  
4 **AGENCY, AS THE CASE MAY BE, SHALL ENDORSE TO THE BUREAU**  
5 **OF INTERNAL REVENUE AND BUREAU OF CUSTOMS, AS MAY BE**  
6 **APPLICABLE, SUCH ORDER FOR THE ASSESSMENT OF THE**  
7 **APPROPRIATE AMOUNT OF DEFICIENCY TAXES AND DUTIES,**  
8 **INCLUDING INTEREST AND MONETARY PENALTIES, THAT NEED**  
9 **TO BE PAID BY THE REGISTERED BUSINESS ENTERPRISE WHOSE**  
10 **INCENTIVES HAVE BEEN SUSPENDED OR WITHDRAWN,**  
11 **RECKONED FROM THE FIRST DAY OF THE TAXABLE PERIOD IN**  
12 **WHICH THE REGISTERED BUSINESS ENTERPRISE COMMITTED**  
13 **THE VIOLATION.**

14           **IN CASE OF CANCELLATION OF CERTIFICATE OF**  
15 **REGISTRATION, THE PROJECT OR ACTIVITY OF THE REGISTERED**  
16 **BUSINESS ENTERPRISE SHALL CEASE TO BE REGISTERED AND**  
17 **SHALL BE REQUIRED TO PAY ALL APPROPRIATE TAXES AND**  
18 **DUTIES FROM THE TIME THE CANCELLATION ORDER HAS**  
19 **BECOME FINAL AND EXECUTORY.**

20           **SEC. 21.** Section 309 of the National Internal Revenue Code of 1997, as  
21 amended, is hereby further amended to read as follows:

22           "SEC. 309. *Prohibition on Registered Activities.* – **EXCEPT AS**  
23 **ALLOWED UNDER THIS PROVISION, [A] a** qualified registered  
24 project or activity under an Investment Promotion Agency administering  
25 an economic zone or freeport shall be exclusively conducted or operated  
26 within the geographical boundaries of the zone or freeport being  
27 administered by the Investment Promotion Agency in which the project  
28 or activity is registered, **OR WITHIN THE REGISTERED PLACE OF**  
29 **BUSINESS OF THE QUALIFIED PROJECT OR ACTIVITY FOR**  
30 **THOSE LOCATED OUTSIDE ECONOMIC ZONES OR FREEPORTS:**  
31 *Provided,* That a registered business enterprise may conduct or operate

1 more than one qualified registered project or activity within the same zone  
2 or freeport under the same Investment Promotion Agency: *Provided,*  
3 *further,* That any project or activity conducted or performed outside the  
4 geographical boundaries of the zone or freeport shall not be entitled to  
5 the incentives provided in this Act[~~, unless such project or activity is~~  
6 ~~conducted or operated under another Investment Promotion Agency~~]:

7 ***PROVIDED, FURTHERMORE, THAT REGISTERED BUSINESS***  
8 ***ENTERPRISES MAY BE ALLOWED TO INSTITUTE A***  
9 ***"TELECOMMUTING" PROGRAM AS DEFINED UNDER REPUBLIC***  
10 ***ACT NO. 11165, OTHERWISE KNOWN AS "THE TELECOMMUTING***  
11 ***ACT," INCLUDING WORK-FROM-HOME ARRANGEMENTS, WHICH***  
12 ***SHALL NOT COVER MORE THAN FIFTY PERCENT (50%) OF THE***  
13 ***TOTAL WORKFORCE, SUBJECT TO THE RULES AND***  
14 ***REGULATIONS WHICH SHALL BE FORMULATED BY THE***  
15 ***INVESTMENT PROMOTION AGENCIES, AND SHALL, IN DOING***  
16 ***SO, CONTINUE TO AVAIL OF ALL THE INCENTIVES PROVIDED***  
17 ***UNDER THIS ACT AND UNDER THEIR RESPECTIVE***  
18 ***REGISTRATION WITH ANY APPLICABLE INVESTMENT***  
19 ***PROMOTION AGENCY: PROVIDED, FINALLY, THAT DOUBLE***  
20 ***REGISTRATION FOR PURPOSES OF AVAILING OTHER***  
21 ***INCENTIVES UNDER SPECIAL LAWS SHALL NOT BE ALLOWED."***

22 **SEC. 22.** Section 310 of the National Internal Revenue Code of 1997, as  
23 amended, is hereby further amended to read as follows:

24 "SEC. 310. *Establishment of One-Stop Action Center* ***AND INITIAL***  
25 ***POINT OF CONTACT FOR FOREIGN INVESTMENT LEADS.*** - All  
26 Investment Promotion Agencies shall establish a one-stop shop or one-  
27 stop action center that will facilitate and expedite, to the extent possible,  
28 the setting up and conduct of registered projects or activities, including  
29 assistance in coordinating with the local government units and other  
30 government agencies to comply with Republic Act No. 11032, otherwise  
31 known as the Ease of Doing Business and Efficient Government Service  
32 Delivery Act of 2018: *Provided, however,* That the enterprises shall

1 continue to avail of the one-stop shop facility notwithstanding the  
2 expiration of their incentives under this Code.

3 **"UNLESS OTHERWISE PROVIDED UNDER SPECIAL LAWS,**  
4 **LOCAL GOVERNMENT UNITS MAY AGREE WITH INVESTMENT**  
5 **PROMOTION AGENCIES, THROUGH APPROPRIATE MEMORANDA**  
6 **OF AGREEMENT, THAT THE INVESTMENT PROMOTION AGENCIES**  
7 **BE DELEGATED WITH THE FUNCTIONS OF ACCEPTING,**  
8 **PROCESSING, AND GRANTING BUSINESS PERMITS AND**  
9 **LICENSES.**

10 **"INVESTMENT PROMOTION AGENCIES MAY ALSO ASSIST**  
11 **REGISTERED BUSINESS ENTERPRISES IN OBTAINING LICENSES**  
12 **AND PERMITS FROM NATIONAL GOVERNMENT AGENCIES BY**  
13 **ACCEPTING DOCUMENTARY REQUIREMENTS FOR SUCH**  
14 **LICENSES AND PERMITS, AND SUBMITTING THE SAME ON**  
15 **BEHALF OF REGISTERED BUSINESS ENTERPRISES TO THE**  
16 **APPROPRIATE NATIONAL GOVERNMENT AGENCIES;**

17 **"INVESTMENT PROMOTION AGENCIES MAY UNDERTAKE**  
18 **SUCH ACTIVITIES THAT ARE NECESSARY TO PERFORM THE**  
19 **FUNCTION OF THE INITIAL POINT OF CONTACT FOR FOREIGN**  
20 **INVESTMENT LEADS. SUCH ACTIVITIES SHALL INCLUDE**  
21 **ASSISTING POTENTIAL FOREIGN INVESTORS ESTABLISH THEIR**  
22 **BUSINESS ENTERPRISES IN THE INVESTMENT PROMOTION**  
23 **AGENCY OR IN THE ECONOMIC ZONE MOST SUITED TO THEIR**  
24 **SPECIFIC NEEDS."**

25 **SEC. 23.** Section 311 of the National Internal Revenue Code of 1997, as  
26 amended, is hereby further amended to read as follows:

27 **"SEC. 311. *Investments Prior to the Effectivity of [~~this Act~~]***  
28 ***REPUBLIC ACT NO. 11534.* – Registered business enterprises with**  
29 **incentives granted prior to the effectivity of [~~this Act~~] **REPUBLIC ACT NO.****  
30 ****11534** shall be subject to the following rules:**

31 **"(A) xxx;**

1           “(B) Registered business enterprises, whose projects or activities  
2 were granted an [~~income tax holiday~~] **ITH** prior to the effectivity of this  
3 Act and that are entitled to the five percent (5%) tax on gross income  
4 earned incentive after the [~~income tax holiday~~] **ITH**, shall be allowed to  
5 avail of the five percent (5%) tax on gross income earned incentive based  
6 on Subsection (C), **INCLUDING ALL CORRESPONDING EXEMPTIONS**  
7 **FROM NATIONAL TAXES AND LOCAL TAXES, FEES, AND CHARGES**  
8 **UNTIL DECEMBER 31, 2034; [~~and~~]**

9           “(C) Registered business enterprises currently availing of the five  
10 percent (5%) tax on gross income earned granted prior to the effectivity of  
11 this Act shall be allowed to continue availing the said tax incentive at the  
12 rate of five percent (5%), **INCLUDING ALL CORRESPONDING**  
13 **EXEMPTIONS FROM NATIONAL TAXES AND LOCAL TAXES, FEES**  
14 **AND CHARGES [~~for ten (10) years~~] UNTIL DECEMBER 31, 2034[.];**  
15 **AND**

16           **“(D) REGISTERED BUSINESS ENTERPRISES CURRENTLY**  
17 **AVAILING DUTY EXEMPTION ON IMPORTATION UNDER SECTION**  
18 **294 (D) AND VALUE-ADDED TAX (VAT) EXEMPTION ON**  
19 **IMPORTATION AND VAT ZERO-RATING ON LOCAL PURCHASES**  
20 **UNDER SECTION 294 (E) PRIOR TO THE EFFECTIVITY OF THIS**  
21 **ACT SHALL BE ALLOWED TO CONTINUE AVAILING THE SAID TAX**  
22 **INCENTIVES UNTIL DECEMBER 31, 2034.**

23           **SEC. 24. Appropriations.** - The Secretary of Finance shall immediately include  
24 in the Department's program the operationalization of the electronic processing of the  
25 VAT refund system, the funding of which shall be included in the annual General  
26 Appropriations Act.

27           **SEC. 25. Transitory Provisions.** - The following provisions shall apply  
28 prospectively to projects or activities granted with tax incentives under Republic Act  
29 No. 11534 upon the effectivity of this Act:

1 (1) The exemption from national and local taxes, including local fees  
2 and charges for projects or activities availing SCIT pursuant to Section 294(B) of  
3 Title XIII;

4 (2) The availment of additional enhanced deductions provided under  
5 Section 294(C)(6), (7), (8), and (9) of Title XIII;

6 (3) The imposition of the two percent (2%) registered business  
7 enterprises local tax under Section 294(F) of Title XIII, to registered business  
8 enterprises availing of ITH or EDR; and

9 (4) The conditions for the availment of the duty and VAT exemption  
10 on importation and VAT zero-rating on local purchases under Sections 295(D)  
11 and (E) of Title XIII.

12 No tax refund or credit shall be granted to registered business enterprises  
13 covered by Sections 19 of this Act.

14 **SEC. 26. *Implementing Rules and Regulations.*** – Within ninety (90) days from  
15 the effectivity of this Act, the Secretary of Finance, upon the recommendation of the  
16 Commissioner of Internal Revenue, shall promulgate the necessary rules and  
17 regulations for its effective implementation: *Provided*, That for the provisions under  
18 Title XIII of the National Internal Revenue Code of 1997, as amended, the Secretary  
19 of Finance and the Secretary of Trade and Industry shall jointly promulgate the  
20 necessary rules and regulations thereof within the same period, after due  
21 consultations with the [~~Commissioner~~] **BUREAU** of Internal Revenue, **BUREAU OF**  
22 **CUSTOMS**, the Board of Investments, and other Investment Promotion Agencies, for  
23 **ITS** effective implementation. Failure to promulgate the rules and regulations shall  
24 not prevent the implementation of this Act upon its effectivity.

25 **SEC. 27. *Separability Clause.*** – If any provision of this Act is declared  
26 unconstitutional, the remaining parts or provisions hereof not affected thereby shall  
27 remain in full force and effect.

28 **SEC. 28. *Repealing Clause.*** –

29 (A) The provisions of the following laws expressly constituting an ecozone or  
30 freeport zone as separate customs territory for VAT and duty incentives purposes are  
31 hereby repealed:

1           1. Section 8 of Republic Act No. 7916, entitled "An Act Providing for the  
2 Legal Framework and Mechanisms for the Creation, Operation, Administration,  
3 and Coordination of Special Economic Zones in the Philippines, Creating for the  
4 Purpose the Philippine Economic Zone Authority (PEZA), and for Other  
5 Purposes" as amended by Republic Act No. 8748";

6           2. Sections 12(b), 15 paragraph 2, and 15-A paragraph 1 of Republic Act  
7 No. 7227, entitled "An Act Accelerating the Conversion of Military Reservations  
8 into Other Productive Uses, Creating the Bases Conversion and Development  
9 Authority for the Purpose, Providing Funds Therefor and for Other Purposes",  
10 as amended by Republic Act No. 9400;

11           3. Section 4 (d) of Republic Act No. 7903, entitled "An Act Creating  
12 Special Economic Zone and Freeport in the City of Zamboanga and Establishing  
13 for this Purpose the Zamboanga City Special Economic Zone Authority,  
14 Appropriating Funds Therefor, and for Other Purposes";

15           4. Section 4 (e) of Republic Act No. 9728, entitled "An Act Converting  
16 the Bataan Economic Zone located in the Municipality of Mariveles, Province of  
17 Bataan, into the Freeport Area of Bataan, Creating for this Purpose the  
18 Authority of the Freeport Area of Bataan (AFAB), Appropriating Funds Therefor  
19 and for Other Purposes";

20           5. Section 8 of Republic Act No. 11999 paragraph 1, entitled "Bulacan  
21 Special Economic Zone and Freeport Act"; and

22           (B) The provisions of the following laws insofar as it classifies projects into  
23 pioneer and non-pioneer for purposes of incentives, are hereby repealed;

24           1. Section 133(g) of Republic Act No. 7160, entitled "The Local  
25 Government Code of 1991", as amended; and

26           2. Article 16, 17, 18, and 37(c) of Executive Order No. 226 entitled  
27 "Omnibus Investments Code of 1987, as amended.

28           (C) Section 815 of Republic Act No. 10863 entitled "Customs Modernization and  
29 Tariff Act" insofar as it grants exemption from duty and tax on goods in free zones.

30           All law, decrees, executive orders, implementing rules and regulations,  
31 issuances, or any part thereof inconsistent with the provisions of this Act are deemed  
32 repealed, amended or modified accordingly.

1           **SEC. 29. *Amendatory clause.*** – The provisions of the following laws are hereby  
2 amended insofar as they are inconsistent with the provisions of this Act:

3           1. Section 4(d) of Republic Act No. 7916, entitled “An Act Providing for  
4 the Legal Framework and Mechanisms for the Creation, Operation,  
5 Administration, and Coordination of Special Economic Zones in the Philippines,  
6 Creating for the Purpose the Philippine Economic Zone Authority (PEZA), and  
7 for Other Purposes” as amended by Republic Act No. 8748”;

8           2. Sections 15-B and 15-C of Republic Act No. 7227, entitled “An Act  
9 Accelerating the Conversion of Military Reservations into Other Productive Uses,  
10 Creating the Bases Conversion and Development Authority for the Purpose,  
11 Providing Funds Therefor and for Other Purposes”, as amended by Republic Act  
12 No. 9400;

13           3. Section 3 of Republic Act No. 7922, entitled “An Act Establishing a  
14 Special Economic Zone and Free Port in the Municipality of Santa Ana and the  
15 Neighboring Islands of Cagayan, Providing Funds Therefor, and for Other  
16 Purposes”;

17           4. Section 3 of Presidential Decree No. 538, entitled “Creating and  
18 Establishing the PHIVIDEC Industrial Authority and Making it a Subsidiary  
19 Agency of the Philippine Veterans Development Corporation, defining its  
20 Powers, Functions and Responsibilities, and for Other Purposes” as amended  
21 by Presidential Decree No. 1491;

22           5. Section 3 of Republic Act No. 9490, entitled “An Act Establishing the  
23 Aurora Special Economic Zone in the Province of Aurora, Creating for the  
24 Purpose the Aurora Special Economic Zone Authority, Appropriating Funds  
25 Therefor and for Other Purposes”; and

26           6. Section 28, Art. XIII of Republic Act No. 11054, entitled “Organic Law  
27 for the Bangsamoro Autonomous Region in Muslim Mindanao”.

28           **SEC. 30. *Effectivity.*** – This Act shall take effect after fifteen (15) days from its  
29 publication in the *Official Gazette* or in a newspaper of general circulation.

*Approved,*